



EUROPEAN CENTRAL BANK

EUROSYSTEM

AMI-SECO

15 January 2025

FINAL

OUTCOME

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

4 December 2024, 9:30 – 17:00 CET (with lunch break between 12:30 and 13:30)

Held via teleconference (MS Teams)

0. Introductory remarks and approval of the agenda

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

The European Commission and ESMA provided updates on the EU initiatives relevant for the AMI-SeCo's harmonisation agenda.

Outcome:

The European Commission reminded that the outgoing Commission took actions on all items of the 2020 Capital Markets Union (CMU) action plan. As outlined in Commission President's von der Leyen statement to the European Parliament in July 2024, the incoming Commission is expected to continue integrated EU capital markets also in combination with banking services, with a particular focus on measures to improve the way savings (in particular, retail savings) are translated into investments in Europe. The vision is best captured by the encompassing term of Savings and Investments Union. Recent reports analysing the EU financial services ecosystem (Letta, Noyer, Draghi) also recommended measures also relevant in the post-trade domain. The Commission launched a study (expected to be finalised by Q3 / Q4 2025) to identify barriers and ways to support such market-based consolidation. The report of the AMI-SeCo on the remaining barriers to post-trade integration is expected to be a valuable input to this study.

ESMA has continued its work on settlement efficiency and (based on the public consultation earlier in the year), in November 2024, published its final technical advice on the CSDR penalty mechanism. An additional technical advice is expected to be issued on the scope of CSDR settlement discipline measures (based on a consultation between July and September 2024) in February 2025. ESMA is also working on draft regulatory technical standards (RTS) on settlement discipline measures and tools to improve settlement efficiency, which is expected to benefit also from the input from the T+1 governance. A consultation paper on the draft RTS is expected to be issued in February 2025. It was highlighted that technical and functional changes in T2S and other IT platforms serving securities settlement systems should be identified early, leaving sufficient time for implementation, in view of the October 2027 deadline

for the EU's migration to T+1 settlement. The RTS regarding the mandatory buy-in are not considered a priority and, as such, these might be finalised at a later point in time, possibly after the T+1 changeover.

ESMA also aims to publish a report on settlement efficiency and internalised settlement by the end of 2025 based on the ongoing monitoring of key indicators on settlement efficiency and other relevant trends. For the creation of supervisory colleges of CSDs, ESMA is expected to publish the RTS on the criteria for determining the substantial importance of CSDs in February 2025. ESMA expects to finalise the RTS (and associated implementing technical standards) on the information to be provided by EU CSDs for their review and evaluation, as well as the RTS on information to be provided by third country CSDs to ESMA also in February 2025. In the domain of CSD prudential requirements, ESMA will work on an RTS on deferred net settlement (expected in Q3 2026). The EBA is working on the RTS on credit and liquidity risks for CSDs providing banking-type ancillary services to other CSDs (expected in Q4 2025).

2. Update on the ECMS project

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

Outcome:

Following the Governing Council decision in October 2024 to reschedule the go-live of the ECMS to 16 June 2025, functional user testing with CSDs/TPA and counterparties has continued and is now moving into the final test phase, with functional testing to finish on 22 April 2025. The ECMS governance continues to closely monitor the status (software quality and testing progress) with recent progress considered good overall building on continued good interaction with the communities (CSDs, TPA and counterparties). Migration testing is continuously performed and has been building up gradually in terms of content and actors involved. The final migration test (#13) will take place from 31 March to 6 April 2025, involving all actors (NCBs, CSDs/TPA and counterparties).

The go-live scope of the ECMS will remain, in principle, frozen. However, the MIB recently approved one change request on tri-party collateral management services and one on corporate actions for inclusion in the go-live release to support community requests. To ensure the efficiency of central bank and community testing, the ECMS software will be stabilised by end-2024, with the exception of the recent change request concerning tri-party collateral management services which are expected to be implemented in January 2025. Furthermore, it was clarified, that the ECMS functionality supporting tri-party mobilisation via CCBM will only be available after the ECMS go-live.

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 June 2024 AMI-SeCo meeting and will discuss the H2 2024 SCoRE compliance report (SCoREBOARD).

Outcome:

The CMG's focus has been on i) the harmonisation of taxation processes from an operational perspective, ii) the clarification of relevant issues for a smooth implementation of SCoRE Standards by June 2025 (rounding rules, elective events, processing of foreign currency payments, clarification on certain special events) and iii) the monitoring of SCoRE compliance and the preparation of the H2 2024 SCoREBOARD.

As for ii), a proposal will be presented soon to CMG and then AMI-SeCo to be incorporated in the H2 2024 Update of the SCoRE Rulebook (applicable as of November 2025 including also potential updates stemming from the ISO 20022 2025 maintenance release)

In line with the June 2024 AMI-SeCo agreement (which assumed an ECMS go-live in November 2024), to create a single, consolidated rulebook on corporate events in Europe, the AMI-SeCo's Corporate Events Group (CEG) will take ownership of the Market Standards for Corporate Actions Processing as well as the Market Standards for General Meetings (currently maintained by the industry's Joint Working Group) as from January 2025. The ownership of the SCoRE CA standards will be moved from the CMG to the CEG in parallel, however, at the practical level the CMG will continue monitoring and discussing interpretation questions on the SCoRE CA standards until the ECMS go-live. The SCoRE tri-party collateral management standards will continue to remain the responsibility of the CMG.

The H2 2024 SCoREBOARD shows that stakeholders continued their progress towards full compliance with SCoRE standards in all three areas (corporate actions, triparty services, billing). Even though the survey was executed before the decision to reschedule the ECMS go-live, the outcome shows that a significant number of stakeholders need and can make use of the additional time provided by the rescheduling of the ECMS. NSGs are invited to ensure that there is sufficient coverage of the relevant custodians in their markets in SCoRE surveys. Some of the members highlighted that there was a need for a review of the SCoRE monitoring methodology. It was noted that the monitoring methodology is expected to be reviewed after the implementation of the SCoRE Standards by the Wave 1 SCoRE deadline.

AMI-SeCo endorsed the key findings of the H2 2024 SCoREBOARD report with the understanding that comments might be received to fine-tune the presentation of the compliance in final written procedure among AMI-SeCo members.

3.2 Corporate Events harmonisation (CEG reporting)

AMI-SeCo received an update on the CEG activities since the June 2024 AMI-SeCo meeting and discussed the 2024 report of the CEG on compliance with corporate events and shareholder identification standards.

Outcome:

The 2024 corporate actions (CA) and shareholder identification (SI) standards monitoring exercise shows limited progress in compliance. While good progress is detected in some markets (namely Bulgaria and Cyprus), in several others lower compliance levels are observed due to more rigorous collection of facts

and assessment. The SCoRE Standards are acting as a catalyst for further progress, with many markets reporting plans to significantly increase compliance in the course of 2025. Specific challenges have been observed in implementing certain corporate event standards in direct holding markets where legal barriers continue to block progress on standards such as reversals. Significant issues with the processing of SI requests are still observed. Many intermediaries are not yet able to process SI requests in the correct ISO 20022 reporting format. The definition of shareholder remains inconsistent across markets. Paper based requests continue to be received in several markets. More information on the causes and magnitude of SI processing issues could be collected from issuer agents.

The year 2024 marks the completion of phase 1 of the CEG's work, which included the consolidation of the monitoring of all European corporate actions and shareholder identification standards and increasing the participation in the surveys to almost all AMI-SeCo markets. With phase 2 starting in January 2025, the definition and maintenance of (i) the *Market Standards for Corporate Actions Processing* and the *Market Standards for General Meetings* and (ii) the *SCoRE CA* standards will be transferred from the Joint Working Group (JWG) and the CMG respectively to the CEG to allow the creation of the Single Rulebook for corporate events (a JWG meeting to finalise the transfer of standards is planned for January 2025). The CEG will also provide the corporate events related expertise and input to T+1 governance by taking charge of the relevant workstream under the T+1 governance. Members agreed that leveraging the expertise of the CEG represented an efficient and effective approach. Members also noted that there was a need to further increase compliance with existing standards to catalyse automation and that additional standards would be useful in certain areas (stock-split reversals and shareholder identification practices). The increased use of the ISO20022 data dictionary would also contribute to this.

AMI-SeCo approved the publication of the 2024 Corporate Events Compliance Report and agreed to share the report with ESMA and the European Commission for their information.

As agreed before by AMI-SeCo, Alessio Mottola is taking over the co-chairmanship of the CEG from James Cunningham (a handover is planned to take place in the first CEG meeting of 2025), while Michael Collier will remain the co-chair of the CEG.

AMI-SeCo agreed that Adam Bowen replaces Krasimira Rayanova as CBF representative in the CEG.

3.3 Securities Harmonisation (SEG reporting)

AMI-SeCo received an update on the SEG activities since the June 2024 AMI-SeCo meeting.

Outcome:

On the basis of a survey carried out among T2S CSDs the SEG discussed further the interpretation of T2S Harmonisation Standard 5 (T2S calendar and schedule of the settlement day) regarding expectations that CSDs allow their participants (in case of demand) to directly connect to T2S (as directly connected parties, DCPs). The SEG proposed that i) it is clarified that T2S Standard 5 contains requirements only on the T2S calendar and schedule of the settlement day while ii) a new core standard (#25) should be

introduced requiring T2S CSDs to provide DCP access to T2S for their participants if they articulate such request with the caveat that DCP access may be restricted in certain, objectively justifiable cases.

AMI-SeCo approved the change to T2S Standard 5 and the new T2S Standard 25 as proposed by the SEG. The Secretariat will update the public document describing all T2S harmonisation standards accordingly.

The 15th T2S Harmonisation Progress report shows only minimal changes compared to the previous report in existing standards. The assessments implement the changes to Standard 5 and new Standard 25, with the latter based on the survey referred to above.

AMI-SeCo approved the 15th T2S Harmonisation Progress Report, with the understanding that its annex on the impact assessment of non-compliance cases will be submitted to the group via written procedure once the affected NSGs provided the up-to-date information concerning such cases.

The SEG updated AMI-SeCo on the progress on the report on remaining barriers to integration in post-trade services. More time is needed for the SEG to prepare this report and it is now foreseen to deliver the report to AMI-SeCo in April 2025. It was emphasized that the document prepared by the Secretariat on the outcome of the survey in H1 2024 should not be considered a report by AMI-SeCo and that the SEG will continue to have a critical look on all issues and topics raised by respondents in the survey.

The SEG informed AMI-SeCo about the completion of the work by the Task Force on the Optimisation of T2S Message Customisation (TFOS). The TFOS analysed changes in the ISO20022 settlement and reconciliation message standards between 2019 and 2024 and prepared change requests to T2S to allow T2S to benefit from such ISO changes as of June 2026 when T2S will update its messaging schemas. It was emphasized that this work will greatly benefit the more efficient use of T2S messages by T2S actors and their customers.

The SEG also briefed AMI-SeCo on recent industry developments in the EU and UK regarding the move to a T+1 settlement cycle.

Finally, the SEG highlighted the topic of potential continuous partial settlement in T2S which is expected to be further discussed and analysed in relevant fora, also in the context of the transition to T+1.

3.4 Report by the ISO20022 Migration Strategy Task Force

AMI-SeCo will receive an update on the work and discuss the report by the ISO20022 Migration Strategy Task Force.

Outcome:

The ISO 20022 Migration Strategy Task Force presented the work done by the TF. It was highlighted that different measures / standard requirements may be necessary on the format of communication on corporate actions in the four different layers of interactions between parties in the custody chain ranging from issuers to end-investors. Issuers or their agents should use standard data dictionary based on ISO

20022 and machine-readable communication when communicating to issuer CSDs in line with SCoRE. This should be supported by European legislation.

A coordinated approach is necessary for the migration to ISO 20022 messaging to prevent the indefinite parallel use (co-existence) of both ISO 20022 and ISO 15022.

The TF agreed on the following roadmap (to be formalised in its final report):

- By end 2026: CSDs target to discontinue ISO 15022 for General Meetings messages.
- By end 2030: CSDs target to discontinue ISO 15022 for CA messages to their participants. The end date should be re-confirmed through ECSDA.
- By end 2028: CSD participants target to offer ISO 20022 messaging to their clients capable of using it (assuming that 2030 is re-confirmed as the decommissioning date for ISO 15022 by CSDs). They could do so on a voluntary basis already as of June 2025.

The ISO TF will further detail these findings in a report and explain the rationale for the roadmap (i.e., in view of the ambition to enhance upstream interactions vis-a-vis the CSDs contributing to network effects and enabling waterfall effects/benefits also for other market initiatives).

Finally, there should be promotion of the use of ISO 20022 data and messaging and stock taking of initiatives in AMI-SeCo markets, with additional guidance and support for the technical adoption where necessary. Incentives, regulatory or market-based, should be in place to promote adoption in particular in the issuer / issuer agent community.

AMI-SeCo members welcomed the work and baseline findings of the TF. Some members pointed out that for global service providers a full decommissioning of ISO15022 services can only take place if ISO15022 is decommissioned at global level and highlighted that such global coordination is currently missing. The importance of a targeted approach was noted, such as tackling the evident issue of data quality.

AMI-SeCo agreed that collective action is needed to achieve harmonisation, to align implementation efforts and create a cohesive and unified migration approach. The migration approach should bring clarity on the Scope i.e. actors in the current landscape (layers), the Baseline Recommendations which provide the main elements of the migration strategy, and the Action Points which lay down a series of priorities aiming at supporting the migration to ISO 20022.

AMI-SeCo agreed to extend the mandate of the ISO 20022 TF with a view to the delivery of its final report covering the above points by June 2025.

4. Shortening of the standard securities settlement cycle (T+1) in the EU

AMI-SeCo took note of the developments related to T+1, in particular on the report by ESMA and the governance set-up envisaged by the authorities for the migration to T+1 in the EU.

Outcome:

ESMA presented the key elements of their November 2024 report on shortening of the settlement cycle in the European Union which includes the assessment of the appropriateness and costs and benefits, the detailed outline of how to move and the international context. The report proposes 11 October 2027 as

the change-over date to the T+1 standard securities settlement cycle in the EU. The timeline foresees the identification of necessary technical, functional or procedural changes by end of Q3 2025 when the implementation period would start. In parallel, ESMA and the European Commission will work on the relevant regulatory technical standards under the aegis of the overall European legislative process to amend the CSDR.

Members highlighted that necessary functional or technical changes to IT systems need to be identified early in this timeline to allow sufficient time for safe implementation and testing.

On governance ESMA is proposing strong industry ownership, by relying on a T+1 industry committee and its technical workstreams. The T+1 industry committee would interact with the T+1 coordination layer which includes the public authorities. At the technical level, regarding corporate events, as noted under item 3.2 CEG reporting, the AMI-SeCo Corporate Events Group would take the lead.

Members highlighted the need to ensure that it is important to channel-in the discussions in national markets and that the AMI-SeCo national stakeholder groups (NSGs) can be leveraged for this. ESMA and the ECB emphasized that it should be left to national stakeholders to decide how they want to organise their discussions. Some communities are planning to use the NSGs for this at local level but there will not be coordination of such local initiatives at AMI-SeCo level. It was also mentioned that global coordination (with UK, CH but also with Asian markets) would also be important to ensure a smooth changeover.

5. Update and debriefing by T2S governance

5.1 Update on T2S operations

The ECB gave an update on T2S operations and related topics.

Outcome:

There have been no unexpected developments in T2S operations since the June AMI-SeCo meeting. The year 2024 so far has seen an increase in volumes and values of transactions processed by T2S, with settlement efficiency (in values) improving. The distribution of volumes (2/3 in NTS / 1/3 in RTS) and values (1/3 in NTS / 2/3 in RTS) between the night-time and real-time settlement phases remained stable. The use of T2S auto-collateralisation remained stable with most of the use occurring on flow. At the start of 2024 a level shift can be observed in cross-CSD settlement. This is due to the reorganisation of the settlement model of Euronext Clearing which resulted in part of the traffic that before was considered as intra-CSD to become cross-CSD.

5.2 Update on T2S recovery

The AMI-SeCo received an update on the developments in the T2S recovery workstream of the CSG.

Outcome:

In 2022 the Market Infrastructure Board (MIB) agreed to implement the T2S recovery solution which provides tools and functionalities enabling the operator to resume operations within 12 hours from a disruption caused by a large-scale incident or a cyber-attack, resulting in a massive loss of data. The development of the solution was completed in summer 2024, while in 2025 the first phase of functional testing with CSDs and NCBs is planned.

5.3 Update on T2S strategic evolution discussions

The AMI-SeCo received an update on the discussions in T2S governance on the T2S strategic evolution.

Outcome:

In 2023, the MIB approved the T2S Strategic Evolution Report containing proposals to enhance the T2S design and to perform a number of Proof of Concepts (PoCs) to investigate potential benefits of architectural changes. During 2024 proposals for 22 enhancements were submitted to the assessment of the T2S technical groups. Of these, 9 measures have been implemented or prioritised for assessment and are expected to benefit the T+1 and onboarding initiatives. Other measures were de-prioritised by the T2S CRG, considering the T2S evolution roadmap and priorities for the next years. During 2024 and 2025 the 4CB have been working on PoCs on Application Programming Interface (API), microservices, and the T2S graphical user interface. Work is on track for the completion of the first PoCs end 2024. The T2S governance will be informed about the results following internal demos.

5.4 Debriefing on the 10th CSG T2S Market Settlement Efficiency (MSE) workshop

AMI-SeCo was debriefed on the outcome of the 10th workshop on MSE that took place on 6 November 2024.

Outcome:

The 10th market settlement efficiency (MSE) workshop took place on 6 November 2024 and focused on an in-depth analysis of negative peaks days data from June / July 2024, the usage of partial settlement and an ad-hoc analysis focusing on T+1 issues. T2S settlement efficiency (as defined by CSDR) has significantly improved in value while did not change in volumes in the last 12 months. "On Hold" increased its importance as fail reason during June / July 2024, possibly indicating customer-level specific issues. "Lack of securities" remains the highest reason for fails. Settlement efficiency in night-time settlement (NTS) remains low. "On-hold" and "lack of securities" are the key reasons while cash is not an issue for the time being during NTS. However, going forward, a shorter settlement cycle (i.e. move to T+1) could put pressure on central bank liquidity in the NTS. Improving interactions between T2S and non-T2S CSDs (primarily the ICSDs) could help improve efficiency further in view of T+1. The MSE workstream is looking into providing focused analyses, especially on NTS, in preparation to T+1.

Partial settlement contributes to improving T2S settlement efficiency. The share of transactions eligible for partial settlement remained largely stable in volume compared to 2023 but decreased in value. The same is true for the share of transactions subject to partial settlement. Only a minority of transactions eligible to partial settlement are subject to it during the day. Of these, around 70-80% are fully settled by the end of the day.

5.5 T2S Change and release management (A-point)

AMI-SeCo received an update on the T2S change and release management since the June 2024 AMI-SeCo meeting.

6. Any other business

Outcome:

Members asked for more in-person meetings of the AMI-SeCo. It was noted that existing ECB policy limits the proportion of in-person meetings for any given groups at 50 %. It was agreed that the Secretariat will carry out a survey on members' preferences in this regard.

At members' request the Secretariat will send calendar invitations to the whole membership (observers and members) for upcoming AMI-SeCo meetings.