

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

1 December 2022, 9:30 – 15:30 CET

Webex teleconference

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

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

- a) The European Commission and ESMA provided an update on the EU initiatives relevant for the harmonisation agenda. Members are invited to take note and exchange views.
- b) The ECB gave an update on the EU issuance service (EIS).

**Outcome:**

The European Commission representative reported that significant progress has been made on the Commission's Capital Markets Union Action Plan. Since the adoption of the 2020 CMU Action Plan, the Commission has delivered on 11 out of the 16 actions. Member States and the European Parliament are now negotiating seven legislative proposals, including the European Single Access Point, the European Long-term Investment Fund Regulation and the Alternative Investment Funds Managers Directive. In December 2022 the Commission will propose a Listing Act to improve access to public markets for companies. It will notably propose changes to the Prospectus Regulation, the Market Abuse Regulation and the Listing Directive. In addition, also in December, an initiative on corporate insolvency will be proposed. It will seek to harmonise targeted aspects of the corporate insolvency framework and procedures to make it easier for cross-border investors to recover value in insolvency. On withholding tax procedures, the Commission is expected to come forward with a targeted legislative action in the first half of 2023. On the review of the implementation of the Shareholders Rights Directive 2 (SRD2), a proposal is potentially foreseen for Q3 2023. Finally, regarding the CSDR Review the discussions in the Council and Parliament are ongoing.

The ESMA representative reported that, in September 2022, ESMA published a report summarising the outcome of its call for evidence on the DLT Pilot Regime Regulation. In October 2022, ESMA launched a call for evidence regarding the implementation SRD2, which will be used when preparing its input for the SRD2 Review, to be delivered to the Commission by July 2023. Among the more recent

developments ESMA highlighted the proposal to simplify CCPs' handling of settlement fail penalties and the CSDR Q&A on the harmonisation of the date of publication of CSD reports related to settlement fails (the first annual publications by CSDs are expected by the end of February 2023). ESMA, together with the national competent authorities, continues to monitor and analyse the developments related to the application of the settlement discipline regime under CSDR, and aims to publish a report on settlement efficiency by the end of 2023.

Regarding the update on the EU Issuance Service (EIS), whereby the ECB provided a high-level briefing on the major updates to the project, it was confirmed that the primary focus of the work are the newly issued EC debt securities. The possibility of importing the outstanding 'legacy' EC debt securities is being analysed.

## 2. Update on the ECMS project

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

### Outcome:

The ECMS project is on track with moderate challenges faced in the testing and migration workstreams as well as in the requirements and specifications workstream. The period for Eurosystem acceptance testing has been extended to allow retesting of product backlogs and testing of change requests. Preparations are underway for the start of user testing. The most recent community readiness report (not reflecting yet the impact of rescheduling T2-T2S consolidation) shows a slight decrease in the confidence level of national communities. Trainings and workshops continue with the next CSD-TPA workshop to take place in early December 2022.

The impact of the decision on rescheduling the T2-T2S consolidation project on the timeline of the ECMS project has been analysed in detail by the MIB. A direct impact concerns the resources available for stakeholders while an additional indirect impact concerns the timing and duration of testing phases. Based on the related considerations (appropriate time for ECMS testing, planned ECMS releases after go-live in 2024, future monetary policy implementation needs, release of 2023 ISO corporate action messages, wider TARGET services strategy on future ISO message releases, other factors incl. releases of other TARGET services) the MIB concluded that 8 April 2024 would seem to be a suitable new ECMS go-live date. A formal confirmation and communication is expected shortly after the AMI-SeCo meeting.

After the formal announcement the MIB will decide on the re-planning based on the input from the ECMS project governance, including also the input from national communities. In this context the MIB will also assess the feasibility of including in the go-live scope the remaining meeting messages, subject to the AMI-SeCo confirming in December 2022 the rules on the use of such messages in the context of the handling of meeting fees within the relevant SCoRE standard. AMI-SeCo members highlighted that the impact of rescheduling on the general TARGET Service strategy on implementing ISO message releases needs particular attention. Regarding the publication of the relevant ECMS messages in MyStandards, the ECB team confirmed that these should be available to the market in the coming days.

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

#### 3.1 Collateral Management Harmonisation / SCoRE (CMH-TF reporting)

The AMI-SeCo discussed the impact of the ECMS rescheduling on the SCoRE compliance deadline and the monitoring report on the progress by markets with compliance with the SCoRE standards (SCoREBOARD H2 2022).

In addition, the AMI-SeCo discussed the next steps regarding the AMI-SeCo's agreement to implement ISO 20022 messaging, in particular the envisaged offering of ISO20022 messaging by account service providers and the co-existence period of ISO15022 messaging and ISO20022 messaging.

#### **Outcome:**

AMI-SeCo endorsed aligning SCoRE 'Wave 1' deadline with that of new ECMS go-live date, formal adjustment to happen automatically as soon as the new ECMS go-live date is officially announced. The deadline for adaptations to SCoRE ('Wave 1') are to be aligned with the ECMS go-live, so that market participants that are active in several markets can coordinate their adaptations i.e., in case the implementation date for ECMS changes, the implementation date for SCoRE Standards should also be changed accordingly.

For SCoRE CA Standard 12 - Handling of fees for meeting events, the messages to be used in relation to meeting fees have been determined in line with the feedback received from SWIFT / SMPG in 2022. Several AMI-SeCo members highlighted the need to further discuss the detailed usage rules of the meeting fee messages and finalise the guidance related to Standard 12 accordingly. The usage rules together with other potential clarification needs in the context of the SCoRE FAQ document will be further discussed in the Asset Servicing Expert Group of the CMH-TF in December 2022 with high priority also with a view for the AMI-SeCo to confirm the final guidance for implementation regarding the handling of meeting fees. The ECB team clarified that without the urgent completion of this definition shortly, there can be no confirmation for potentially including the messages for meeting events in the ECMS go live scope.

Regarding SCoRE CA standard 15 and the 'Wave 2' deadline of offering ISO20022 messaging on corporate actions to their customers by account service providers other than CSDs as of November 2025, the CMH-TF highlighted several arguments which speak in favour of migrating to ISO20022 messaging across the industry. While AMI-SeCo members welcomed the analysis, several account service providers expressed the view that customer demand and thus account service providers' business cases for offering ISO 20022 messaging appears limited even on horizons longer than 2025. In addition, these account service providers claimed that no reassurance has been received from SWIFT that the co-existence period for ISO150022 messaging and ISO20022 messaging would be limited in time which may mean that service providers might have to support both message standards for some time with cost implications for them. It was agreed that the analysis needs to be enriched with

potential counterarguments and potential ways to coordinate industry efforts to implement ISO20022 messaging.

In terms of the progress of implementation of SCoRE standards, the draft SCoREBOARD report for H2 2022 has benefited from a very high rate of participation across stakeholders. The report shows that there have been some delays of implementation against the adaptation plans across all three sets of standards. Nevertheless, most stakeholders are expected to be ready with implementation on time. The AMI-SeCo endorsed the monitoring report on the progress by markets with compliance with the SCoRE standards (SCoREBOARD H2 2022), for publication.

**Follow-up:**

- CMH-TF / Asset Servicing Expert Group to discuss and finalise the usage rules of meeting fee messages in an ad hoc meeting in December with a view to the high urgency of this topic to be finalised to potentially be taken into account in the ECMS go-live release
- CMH-TF to enrich the analysis on industry migration to ISO20022 messaging in the customer to account service provider space and return to the AMI-SeCo for further discussion

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

The CEG co-chairs presented the 2022 Corporate Events Compliance Report prepared by the CEG on AMI-SeCo markets' compliance with the Market Standards for Corporate Actions Processing, the AMI-SeCo's T2S Corporate Action Standards and the Market Standards for Shareholder Identification.

Furthermore, the CEG's proposed input to ESMA's call for evidence regarding the review of the Shareholder Rights Directive (as covered by the CEG report) was presented.

**Outcome:**

The CEG has prepared the 2022 Corporate Events Compliance Report covering the Market Standards for Corporate Actions Processing and the T2S Corporate Action Standards, as well as the Market Standards for Shareholder Identification (SI), which were developed to facilitate harmonised implementation of the Shareholder Rights Directive 2 (SRD II). Full participation by all AMI-SeCo markets was achieved for the first time in this year's exercise. Overall, the report shows few advances in CA compliance over the past twelve months. However, there are now more markets with concrete plans to improve CA compliance which is primarily due to the momentum created by the SCoRE standards.

The report found that the shareholder identification process works satisfactorily at a domestic level in many markets. However, the report identifies certain difficulties of the shareholder identification process both at domestic and cross-border levels. In particular, the definition of shareholder is not consistent across markets which creates difficulties in a cross-border setting.

A particular focus of CEG discussions has been the compliance of the Italian market practice with the SI industry standards. Based on further discussions and a detailed input by the Italian NSG, the CEG concluded that the Italian market is not fully compliant with the SI standards due to the market practice allowing the transmissions of SI responses via the custody chain instead of communicating such info directly to the issuer or a third party nominated by the issuer. Further discussions are foreseen with the Italian market on this topic.

In addition to the 2022 monitoring exercise, the CEG also analysed questions from CEG members and NSGs on the practical implementation of the Shareholder Identification (SI Standards), prepared a summary of the authentication and validation checks to be performed upon receipt of a disclosure request, worked on a proposal to address uncertainties in the application of SRD II to depositaries and trustees and developed an overview table identifying the securities subject to disclosure requests in AMI SeCo markets.

**Follow-up:**

- AMI-SeCo members to submit written comments on the CEG report by 5 December
- Upon finalisation the CEG report is to be submitted to ESMA on behalf of the AMI-SeCo in the context of ESMA's call for evidence on the implementation of the Shareholder Rights Directive 2

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

The AMI-SeCo discussed the draft 13<sup>th</sup> T2S Harmonisation Progress Report.

**Outcome:**

The 2022 T2S harmonisation monitoring exercise showed little further progress by T2S markets on compliance with the T2S harmonisation standards. No non-compliance case was resolved in the review period. Some further progress was observed in the preparation and concretisation of plans by NSGs on the corporate actions non-compliance cases as well as the non-compliance case related to securities amount data. The report also presents the assessments for the migrating markets that signed the T2S Framework Agreement in the review period. Although there are some challenges, these markets are on track to reach a high-level of compliance with the standards by the time they migrate to T2S. AMI-SeCo members from Spain indicated that further progress is likely to take place in the future in the Spanish market with regards to the existing non-compliance case on T2S matching rules.

**Follow-up:**

- Draft T2S HPR and annexes to be submitted to one-week written procedure among AMI-SeCo members

#### 4. Review of the functioning and governance of the AMI-SeCo

The ECB presented a status update on the review of the functioning and governance of the AMI-SeCo, in light of the approval process by the ECB's Governing Council. This includes updates to the AMI-SeCo mandate and changes to the set-up of the AMI-SeCo.

The ECB also presented the proposals for the draft new / updated mandates of the future substructures of the AMI-SeCo (Securities Group - SEG, Collateral Management Group - CMG, Corporate Events Group - CEG).

##### **Outcome:**

The AMI-SeCo has been discussing the review of its functioning and governance since its December 2021 meeting. The process included a survey with NSGs and AMI-SeCo members as well as the discussion and subsequent written procedure of main takeaways and proposals on the future governance. In its June meeting, the AMI-SeCo had concluded that there was no need for a major overhaul, but smaller enhancements could be envisaged. Based on the AMI-SeCo's earlier feedback, the Eurosystem updated the AMI-SeCo mandate and composition which consists of two main points of substance: differentiating between a T2S composition and a harmonisation composition of the AMI-SeCo for higher transparency and including currently under-represented regions into the AMI-SeCo's harmonisation composition to better reflect the scope of harmonisation/standardisation discussions.

It was reminded that the set-up and functioning of its substructures (including their mandates / tasks as well as their compositions) is the prerogative of the AMI-SeCo. As agreed by the AMI-SeCo in June 2022, a streamlining of the AMI-SeCo substructures is envisaged taking into account that the existing (legacy) structure was inherited to a great extent from the T2S AG. Accordingly, the mandate of the HSG was updated and the CMH-TF is turned into the CMG, i.e. a Group reporting directly to the AMI-SeCo. Some AMI-SeCo members felt that further discussions are necessary on the functioning of the AMI-SeCo to ensure the right representation of markets in the substructures and to clarify how the tasks of substructures relate to each other. Furthermore, it was highlighted by a few members that a higher number of regular plenary meetings than the current two per year might be helpful. The members discussed that improved, more efficient working practices of the AMI-SeCo could help avoiding re-opening of technical discussions in the future.

##### **Follow-up:**

- Written procedure to be launched with AMI-SeCo members and observers on the proposed draft mandates of the new AMI-SeCo substructures as well as on further reflections on the AMI-SeCo functioning
- Secretariat to organise prior to the June 2023 AMI-SeCo meeting an ad-hoc AMI-SeCo workshop on the functioning and organisation of AMI-SeCo discussions, covering also the role and set-up of substructures

## 5. T2S

### 5.1 Update on T2S operations

The ECB provided an update on T2S operations.

**Outcome:**

The volume and value of transactions processed by T2S remained stable in T2S since the last AMI-SeCo meeting. No significant changes have been observed in settlement efficiency since the introduction of CSDR settlement fail penalties in February 2022. Cross-CSD settlement shows a gradually and slightly increasing trend but remains still at low absolute levels compared to intra-CSD settlement.

On 18 November there was a major incident in T2S resulting in the queuing and later than scheduled sending of outbound A2A T2S messages. In order to manage and resolve the incident the RTS settlement bundling functionality was deactivated (and reactivated later during the day). Nevertheless, the incident resulted in the need to prolong T2S operating hours by moving the DvP cut-off to 19:00 (instead of the normal 16:00) and the FOP cut-off to 20:00 (instead of the normal 18:00). The lessons learnt from the incident are analysed and will be further discussed by the T2S Operations Managers Group (OMG). With regards to the communication on the incident towards stakeholders it was noted that the T2S Crisis Managers did not see the need to activate the T2S Crisis Communication Group. In hindsight, an activation could have resulted in a clearer and quicker communication on the incident towards the key stakeholders.

### 5.2 6<sup>th</sup> CSG workshop on market settlement efficiency in T2S

The AMI-SeCo was debriefed on the outcome of the 6th CSG Market Settlement Efficiency (MSE) workshop that took place on 28 September 2022.

**Outcome:**

The main objective of the 6<sup>th</sup> CSG MSE workshop was to provide a set of indicators about settlement efficiency and failed transactions in T2S in line with the scope of the CSDR settlement discipline requirements. The main takeaways from the MSE workshop are:

- Overall, the T2S engine works well, settlement fails mostly related to market behaviour
- The CSDR penalty regime did not appear to have a clear positive impact on settlement efficiency so far. One of the possible reasons is that the penalties may not sufficiently incentivise a change in behaviour among market participants.
- Night time settlement (NTS) efficiency shows room for improvement and a more in-depth analysis, also in view of T+1, could be made.
- The usage on the “on-hold” functionality should be also further investigated, possibly issuing a new survey.

- Some additional infrastructure level issues that are external to T2S, e.g. movement of resources with ICSDs, can also play a role on settlement efficiency.

Among the next steps there are ongoing discussions with the ECB and 4CB on a potential agreement for the regular repetition of the MSE workshop, that should take place twice a year as well potentially launching a survey on the usage on the “on-hold” feature and have the results presented at the next MSE workshop.

AMI-SeCo members welcomed the work carried out in the MSE workshops. There was very broad support to continue this work with a particular emphasis on uncovering further insights regarding market participants’ behaviour down the custody chain and before settlement which seems to be driving factor behind settlement fails rather than CSD services or functionalities. The work by ICMA’s European Repo and Collateral Council (ERCC) regarding focusing on repo market best practices to avoid or minimise fails was also highlighted.

### 5.3 Change and release management

The AMI-SeCo received an update on the T2S change and release management since the last regular AMI-SeCo meeting.

#### **Outcome:**

T2S release 6.2 was successfully deployed on 19 November 2022, implementing 8 change requests with 2 change requests descoped from the final release due to the rescheduling of T2-T2S consolidation go-live. Billing operations that were stopped in July 2022 have been agreed to resume as of 1 December 2022.

T2S Release 6.3 (containing only fixes for production issues) is scheduled for deployment on 18 February 2023. As of T2-T2S consolidation the naming / numbering convention of releases will be harmonised (and will change accordingly as of June 2023).

## 6. AOB

#### **Outcome:**

The AMI-SeCo is expected to have an in-person meeting in June 2023 as its next regular meeting. The originally envisaged date of 15 June 2023 needs to be changed due to a conflict of the planned CSG meeting.