AMI-SeCo meeting
Agenda point 6.3

Fintech-TF reporting

Frankfurt am Main, 2 July 2019
1. Recent and on-going developments

2. Fintech-TF revised terms of reference
Recent and on-going developments

1) Tokenisation of securities and impact on Post-Trade value chain

- **Analysis ongoing on**
  - Tokenisation of existing securities
  - Initial registration of issued securities using DLT
  - Using DLT for internalised settlement

- **Taxonomy around tokenisation**
  - No universally agreed taxonomy
  - Fintech-TF approach for the purpose of the analysis: ‘tokens as representations of securities already recorded elsewhere’

- **Legal, operational (and technical) aspects**
  - What are the legal and regulatory impediments for issuing transferable securities using DLT? What rights does holding a token give?
  - Implications of tokenisation on business processes
  - Possibilities and limitations of different DLT protocols
Recent and on-going developments

5 models of recording securities via the use of DLT

1. Issuance of securities as native digital assets on DLT using CSD
   - Initial recording, settlement and holding performed on distributed ledger;

2. Private issuance of the securities as native digital assets
   - Private issuance performed on DLT in the current regulatory framework;

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TOKENISATION

1. Migration of the traditional record-keeping system of a CSD to DLT
   - CSD technically decentralises its securities holdings by replacing securities and securities accounts with an arrangement based on DLT;

2. Use of a record based on DLT parallel to the legacy system
   - CSD blocks part of the securities recorded in traditional book-keeping systems and makes them available only in the DLT network;

3. Intermediary uses DLT for internalised settlement
   - An intermediary uses DLT in order to perform internalised settlement.
Recent and on-going developments

2) Mapping Exercise of the Fintech initiatives in the Post-Trade area

- A mapping exercise collecting Fintech initiatives in Post Trading
- A summary note highlighting common trends arising from new technologies and focusing on:
  - Governance aspects in solutions based on DLT
  - “Tokenisation” in securities Post-Trade environment and the impacts on:
    1. Liquidity aspects (e.g. availability of liquidity and provision in the system)
    2. Process aspects (e.g. interoperability between parallel systems)
    3. Regulatory aspects (e.g. regulatory arbitrage)
  - Efficiency of the financial ecosystem via the use of new technologies:
    1. Automation of the processes
    2. Transparency of the procedures
    3. Speed of interactions
Outline

1. Recent and on-going developments

2. Fintech-TF revised terms of reference
Fintech-TF revised Terms of Reference (ToR)

- The current ToR expires at the end of July 2019
  The HSG agreed to the new terms of reference on 5 June

- ToR proposed to be revised to
  - re-confirm the interest of the AMI-SeCo to follow Fintech developments in post-trading and collateral management via the HSG
  - reflect the current harmonisation agenda
  - emphasise the role of the Fintech-TF as a forum for information sharing and body providing informal advise on topics related to Fintech

- The AMI-SeCo members are invited to agree to the revised Terms of Reference of the Fintech-TF

- Call for participants to the Fintech-TF as of August will be launched in the course of July