Fintech-TF reporting

Agenda item 3.1.
joint meeting of AMIs

4/12/2019

Chiara Rossetti (Chairperson)
Rainer Olt (Rapporteur)
Agenda

• Starting work in the new composition of the Fintech-TF

• Mapping exercise of Fintech initiatives in the area of securities issuance and post-trade → deliverable A

• Progress towards a report on “Issuance and post-trade of securities in a DLT environment” → deliverable B
Increased number of members → review of the modus operandi

- Altogether **35 experts** from **33 institutions**
  - additional industry associations (ECSDA and EACH)
  - academia and finetchs (Frankfurt School and LiquidShare)

- **Activating market-led cooperation**
  - TF members hold the pen
  - sub-groups for analysis & drafting
  - appointed TF members lead & coordinate work
Deliverable A: summary of the mapping exercise (1)

• Shift towards more transparent governance and allocation of functions

  [Fintech-TF action] → continue monitoring

• Popularisation of tokenisation in post-trade environment
  • The use of tokens to bridge legacy and DLT systems
  • The replacement of legacy post-trade systems with DLT-based solutions
  • The use of tokenisation for more efficient liquidity distribution

  [Fintech-TF action] → continue analysis and compile a report
Deliverable A: summary of the mapping exercise (2)

- Ongoing regulatory arbitrage of fintech companies and fragmentation of national legal frameworks

  [Fintech-TF action] → continue monitoring of national fintech-related strategies and regulations

- The use of new technologies for the purpose of maximising efficiency of the financial ecosystem
  - Implementation of tech-based solutions for the automation of process
  - Shift towards transparency enhancing solutions
  - Increase of speed of interaction through digitalisation

  [Fintech-TF action] → continue monitoring
Deliverable A: future of the mapping exercise

• Continuous monitoring and analysis via the Fintech-TF members

• Regular update notes / newsletters looking into new initiatives and outlining changes in the trends

• Outlining actions for the Fintech-TF → input for the future work programme
Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (1)

• a follow-up to the AMI-SeCo “DLT-TF” report [2017]

• based on identified practices of securities issuance or recording and post-trade in a DLT environment

• market stakeholders outlining the business rationale and results in practice
Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (2)

- The **objective** is to establish a common understanding in EU on
  - how the securities’ lifecycle could function in the DLT environment; and
  - what is needed for facilitating interoperability across DLTs as well as between DLT and legacy systems, in particular Target-2-Securities.

- The **scope** is on
  - how securities could be tokenized or newly issued on DLT; and
  - post-trade services in DLT, covering custody/safekeeping and trading.

- The **focus** is on bonds and equities.
Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (3)

EXECUTIVE SUMMARY

INTRODUCTION

1. Identified practices of securities issuance or recording and post-trade in a DLT environment

2. Issuance, recording and redemption of securities on DLT
   2.1. Description of related business & operational processes
   2.2. Description of related legal aspects
   2.3. Key implications and requirements

3. Custody and safekeeping in a DLT system
   3.1. Description of related business & operational processes
   3.2. Description of interoperability options
   3.3. Description of related legal aspects
   3.4. Key implications & requirements for custody/safekeeping

4. Clearing and settlement in a DLT system
   4.1. Description of related business & operational processes (incl. trading and DvP)
   4.2. Description of interoperability options
   4.3. Description of related legal aspects
   4.4. Key implications & requirements for clearing and settlement

CONCLUSIONS

ANNEX (GLOSSARY OF DEFINITIONS)
Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (4)

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<td>Executive summary</td>
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<td>1. Identified practices of securities issuance or recording and post-trade in a DLT environment</td>
<td>TF Secretariat</td>
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<tr>
<td>2. Issuance, recording &amp; redemption of securities on DLT</td>
<td>TF Member(s) / subgroup</td>
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<td>3. Custody &amp; safekeeping in a DLT system</td>
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<td>4. Clearing &amp; settlement in a DLT system</td>
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**Anticipated delivery of the final draft report → by end of Q1 2020**
Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (5)

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<tr>
<th>Subgroup 1</th>
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<td>“Issuance, recording and redemption”</td>
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<td>“Clearing and settlement”</td>
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<tr>
<td>Group-lead: <strong>Christoly Biely</strong> (Erste Goup)</td>
<td>Group-lead: <strong>Marcello Topa</strong> (Citi)</td>
<td>Group-lead: <strong>Johannes Duong</strong> (OeNB)</td>
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<td>14 members</td>
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- Kick-off on 18 November ➔ delivery of drafts on 14 February
- Steering calls in Dec, Jan and Feb ➔ group-leads + Fintech-TF Chair + Secretariat
Thank you!