

OUTCOME

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

6 and 7 March 2017

Room C3.08/09

European Central Bank (Main Building)

Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

0. Introductory remarks and approval of the agenda

The Chair will welcome the participants to the first meeting of the newly established Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) and ask for the approval of the agenda.

The ECB will provide an update on Eurosystem market infrastructure projects which are in an investigation phase. In particular, the Eurosystem is exploring the options for consolidating different functionalities of Eurosystem market infrastructures (TARGET2/TARGET2-Securities) and it is investigating the launch of a Eurosystem Collateral Management System (ECMS).

Outcome

The Chair welcomed members and observers to the first meeting of the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo). The Chair recalled the background and reason for the establishment of AMI-SeCo, which is related to the need for an efficient and consistent set-up for interactions with the market and to foster the work in the field of cash, securities and collateral services. The chair also recalled the successful launch of T2S Wave 4.

The ECB debriefed on Eurosystem project considerations. In particular, the Eurosystem seeks to draw on the synergies between TARGET2 and T2S, and considers consolidating some components of the technical infrastructure which will allow TARGET2 to benefit from some of the state-of-the-art features of T2S. The Eurosystem is also considering improving its own collateral management system.

The agenda was approved.

1. AMI-SeCo mandate and working procedures

The ECB will present the AMI-SeCo mandate, the background for establishing AMI-SeCo, its objectives and working procedures and the expected interaction among AMI-SeCo members. AMI-SeCo members are invited to articulate their views on the mandate, its working procedures and any further matters related to the functioning of the AMI-SeCo.

Document:

Mandate of the AMI-SeCo

Outcome

The ECB presented the Mandate of the AMI-SeCo. According to the mandate, AMI-SeCo shall advise the Eurosystem on matters related to securities clearing and settlement as well as collateral management. AMI-SeCo also acts as an advisory body to the Eurosystem for all issues related to TARGET2-Securities (T2S). AMI-SeCo shall provide advice to the MIB or the MIPC, depending on the issue at stake and in line with the respective mandates. AMI-SeCo membership consists of Users (market participants), financial market infrastructures (CSDs and CCPs) and NCBs. Observers are representatives from industry associations, the European Commission, ESMA, 4CBs and the Eurosystem Oversight function.

It was clarified that there will be full transparency (and public consultations will continue to be organised). Developments related to the Eurosystem Collateral Management System (ECMS) will be shared with AMI-SeCo. Changes to the T2S Framework Agreement will be kept to a minimum, as the AMI-SeCo will take over the responsibilities of the former T2S Advisory Group. It was clarified that observers are invited to contribute to discussions in AMI-SeCo, but only members will be eligible for voting. Voting is only for T2S matters, in line with the T2S framework.

2. Quo vadis AMI-SeCo?

Taking due account of the mandate given to the AMI-SeCo, members are invited to share their expectations with regard to AMI-SeCo's future work. In particular, members are invited to deliberate on the nature and scope of AMI-SeCo harmonisation activities in the areas of securities settlement and collateral management as well as on the potential implications these activities could have on AMI-SeCo sub-structures.

2.1 Securities settlement harmonisation

The chairman of the Harmonisation Steering Group (HSG) will introduce considerations on future work regarding the T2S harmonisation activities. The T2S harmonisation agenda is not finished and there is an expectation that AMI-SeCo will continue with this important harmonisation effort. Members are invited to give guidance as to what should be the next steps which should be taken in the field in securities settlement harmonisation.

Document:

- 7th T2S Harmonisation Progress Report (published 31 January 2017)

Outcome

The Chairman of the Harmonisation Steering Group (HSG) presented the action plan for 2017. Two T2S community (AMI-SeCo) publications are foreseen for the current year: the mid-year T2S harmonisation update and the eighth T2S harmonisation progress report. This is based on an earlier T2S Advisory Group (AG) request to align the T2S harmonisation reports to the T2S migration waves. The AMI-SeCo members endorsed the two actions.

In addition, the HSG will also launch a survey with the T2S National User Groups (NUGs) regarding the T2S markets' compliance plans on the Settlement Finality I (SFI) as provided in the T2S collective agreement.

Regarding the T2S community input to the European Post Trade Forum (EPTF) work, the AMI-SeCo members agreed to the HSG proposal that there is no need to provide T2S community input in the ongoing CMU mid-term review consultation. The justification being that the ongoing and planned CMU actions cover the remaining T2S harmonisation activities, such as conflict of laws and withholding tax procedures. In addition, the ongoing EPTF work is also covering the topic on registration procedures harmonisation.

AMI-SeCo members were informed that in 2017 the European Commission will launch public consultations on the EPTF report as well a consultation on the conflicts of law legislative initiative. The AMI-SeCo will review these deliverables and will consider its potential input therein.

Regarding the forward-looking planning for the T2S harmonisation agenda in 2018, the HSG proposed to the AMI-SeCo that this work is continued due to i) the need to maintain and potentially update the T2S harmonisation standards, ii) to complete the T2S standards definition gaps and iii) to continue the monitoring of non-compliant T2S markets (red statuses). The AMI-SeCo endorsed the proposal.

The ECB explained that the harmonisation process is an ongoing process, and there is a continuous need to maintain and update the standards and implementation process (definition, monitoring and compliance). The maintenance of the methodology is important as harmonisation standards, which were defined several years ago, might – in individual cases – require revision, but this will first have to be properly analysed.

2.2 Collateral management harmonisation

The chairman of the HSG will present the initial views expressed in the HSG meeting of January 2017 regarding the possible scope and methodology for collateral management harmonisation. Members are invited to give guidance as to what should be the next steps which should be taken in the field of collateral management harmonisation.

Document:

Outcome

The HSG chairman presented the outcome of the HSG preliminary discussion regarding the methodology and the strategic approach to be followed in the context of the AMI-SeCo work on the collateral management harmonisation workstream.

Based on the HSG preliminary proposals, the AMI-SeCo members agreed to the following approach:

1. Based on the COGESI work on collateral management harmonisation and also taking into account the ongoing work on ECMS harmonisation, the AMI-SeCo, with the help of the HSG, will establish a comprehensive **list of collateral management harmonisation activities**, similar to the approach followed by the AG in the early stages of defining the T2S harmonisation agenda. This list of collateral management harmonisation activities should aim to describe clearly and concretely i) the identified **barrier** covered under the activity, ii) the **objective** of the activity, iii) the **deadline** for compliance with the standard or best market practice (after having been endorsed by the AMI-SeCo) and iv) the **relevant actors** for defining, monitoring and implementing the endorsed rule (standard/best market practice).

The HSG should aim to present a first draft of this list during the July 2017 AMI-SeCo meeting.

2. Where the endorsed collateral management activity is directly related to T2S, it would be considered as a **"mandatory standard"** and would be covered under the present T2S harmonisation methodological approach.
3. In other cases, the **methodology to be applied would be assessed on a case-by-case basis**.

The HSG should also present a first draft of the AMI-SeCo harmonisation methodology during the July 2017 AMI-SeCo meeting. The methodology should cover the existing T2S as well as the collateral management harmonisation workstreams.

Members suggested that the discussion in the HSG could consider making a distinction between T2S/settlement related issues (i.e. core infrastructure) and more ancillary issues that could encompass collateral management. Important is the involvement of the relevant stakeholders in the process, including buy-side representatives.

2.3 Review of AMI-SeCo sub-structures

The ECB will present an overview of sub-structures currently working on the T2S harmonisation agenda. Members are invited to consider which AMI-SeCo sub-structures should support the work of AMI-SeCo.

A revised HSG mandate will be presented to reflect that collateral management harmonisation is within its scope now. Members are invited to provide their views on the revised HSG mandate.

Document:

- HSG Mandate

Outcome

The ECB presented an overview of the governance arrangements for AMI on matters related to payments, securities clearing and settlement and collateral management in general, and on matters related to T2S.

It was clarified that the broader scope of the work of AMI-SeCo on collateral management (compared to the previous AG) should be taken into account by the NUGs and possibly included in their mandate.

The revised mandate of the HSG was approved. Members are invited to submit nominations for the HSG by 14 March 2017. Based on these nominations, the AMI-SeCo Chairman will make a proposal for HSG membership and invite the AMI-SeCo to approve such proposal in written procedure so that the HSG can take up its work shortly.

3. AMI-SeCo post-trade harmonisation work

3.1 T2S' and EU public authorities' initiatives on post-trade harmonisation

The HSG chairman will provide a general update on the current status of the HSG's work and T2S-relevant initiatives. The Commission and ESMA are invited to provide an update on the EU initiatives relevant for harmonisation agenda. Members are invited to take note and exchange of views regarding the work.

Outcome

The European Commission presented an overview of recent developments in the context of the legislative initiatives (CSDR technical standards, EMIR review, CCP recovery and resolution, Shareholder Rights Directive), the European Post Trade Forum (preparing a description and proposals for removing barriers in post-trading), mid-term review of CMU (e.g. conflict of laws and rights in securities).

It was clarified that the CSDR standards on settlement discipline regime will come later this year.

3.2 Impact Analysis Report on non-compliance of T2S markets

The ECB will present the Impact Analysis report (v5.0) regarding the non-compliance of T2S markets (i.e. red compliance status) with the T2S harmonisation standards. Members are invited

to approve the report for further distribution to the Market Infrastructure Board (MIB) for its next meeting.

Documents:

- Impact Analysis Report on non-compliance with T2S harmonisation standards (v.5.0)

Outcome

The ECB presented the Impact Analysis Report v.5.0 and members agreed with the proposed assessment. The Report, including the proposals to the MIB for the measures to be undertaken against the non-compliant markets, will be submitted to the next meeting of the MIB.

Given that each individual case of non-compliance does not allow reaping the full benefits of T2S, continued efforts are needed by the respective markets to become compliant with agreed standards.

3.3 Restriction Rules Catalogue

The chairman of Cross-border Market Practices sub-group (XMAP) will present the updated version of the Restriction Rules Catalogue (with an analysis of all T2S CSDs) Restriction rules are implemented by CSDs whenever controls in the form of additional validations in T2S are required. Members are invited to approve its publication.

Documents:

- Restriction Rules Catalogue (v1.0)

Outcome

Version 1.0 of the Catalogue was presented to the AMI-SeCo. AMI-SeCo members agreed with the Catalogue and its publication.

It was clarified that the Catalogue will continue to be updated three times per year, coinciding with AMI-SeCo meetings. In the future, if there were fewer changes, it could be considered to have fewer updates.

4. Eurosystem deliberations on taking collateral in Eurosystem credit operations

In the context of the Eurosystem investigation on the prospects of an ECMS and the analysis of making its collateral management arrangements more efficient and effective (and considering that T2S is in place), the Eurosystem (as a large user of (I)CSDs' and triparty agents' services) has launched discussions on how counterparties' mobilisation of marketable assets for use in Eurosystem credit operations could be improved while, at the same time, leveraging on the ICSDs'

service offerings. The ECB will inform about the Eurosystem's initial deliberations and invite Members to express their views.

Outcome:

The ECB presented the Eurosystem deliberations on making better use of a T2S post trade landscape in its collateral management procedures and whether to rely only on T2S for the mobilisation of marketable collateral in Eurosystem credit operations.

The starting point was the Eurosystem considerations for establishing the ECMS, and how to enable more efficient processes/functionalities to use Eurosystem eligible collateral

AMI-SeCo members welcomed the information and appreciated the fact that the Eurosystem also intends to rely on input from the relevant industry stakeholders in these deliberations. The involvement of payment experts should also be considered, given the cash management aspects of more efficient collateral management

A workshop will be organised for interested market participants, NCBs and financial market infrastructures, to exchange views on possible technical features. Supporting material will be prepared to frame the discussion of the workshop.

5. T2S

5.1 T2S Operations

The AMI-SeCo will receive an update on the latest developments of T2S in operations. In addition the Eurosystem will provide a debriefing on relevant activities of the Operations Managers Group (OMG). The OMG is composed of operations experts from the CSDs, the European Central Bank, national central banks (NCBs) of the Eurosystem, non-euro area NCBs and the 4CB (Banque de France, Banca d'Italia, Banco de España and Deutsche Bundesbank).

Documents:

- T2S Operations Report for January 2017

Outcome

The participants were informed about settlement data (e.g. average settlement volume and value, settlement efficiency, etc.), availability and punctuality of the platform in January 2017.

AMI-SeCo will be informed at a future meeting on the progress of OMG on the development of a T2S capacity model (also covering messaging).

5.2 T2S volume developments

The T2S financials team will report on the aggregate CSD volumes up to the end of 2016. In this context, members will be invited to consider what have been the developments since then and how their expectations for future volumes in T2S have evolved.

Documents:

- Presentation: Evolution of settlement volumes until end-2016 as reported by CSDs
- AMI-Seco survey on expectations on future volumes

Outcome

The ECB introduced the T2S volumes developments until 2016, based on a volume questionnaire (for those CSDs, which had not migrated until end-2016) and complemented with data directly from T2S (consumption of T2S services by the already migrated CSDs). The AMI-SeCo Members were invited to share their views on the future developments of T2S volumes, focusing on potential new markets and asset classes, as well as the evolution of overall settlement volumes in Europe. A respective survey was initiated, for which the Members could provide their feedback either directly during the meeting or via e-mail by cob 17 March 2017.

Participants considered that it would be useful to obtain more information on the volumes per asset types as well as with a longer time horizon beyond year 2020, so that better feedback could be given in future surveys.

5.3 T2S Programme Status

5.3.1 T2S Programme status – reporting by the Eurosystem

The ECB and 4CB will provide a summary of the project status.

Document:

- T2S Programme status report

Outcome:

The AMI-SeCo was informed about the status of the T2S Programme after the successful migration of wave 4 to the T2S platform. With the T2S Programme advancing and with more and more actors having gained experience with the T2S platform, the risk situation has significantly improved. It was confirmed that, overall, the project was on track. The focus is now on monitoring the performance of the platform and on the forthcoming migration of the final wave.

5.3.2 T2S Programme status – reporting by CSDs

The CSDs not migrated to T2S will be invited to provide written contributions on the status of their readiness to migrate to T2S.

Outcome

The AMI-SeCo took note of the status update of the CSDs that have not migrated to T2S yet. Overall, the process is on track for the Spanish and Baltic CSDs. The timing of the onboarding process of Euroclear Finland (not being part of the final wave) is to be defined.

5.4 T2S governance - reporting and debriefing

5.4.1 Market Infrastructure Board

The Chairman of the MIB in T2S composition will report on the relevant MIB Board topics discussed during the latest meetings.

Outcome

The AMI-SeCo took note of the status update of the MIB activities (T2/T2S synergies, ECMS, the migration of Euroclear Finland to T2S, cybersecurity and resilience).

Participants of AMI-SeCo will be involved and consulted on the alignment/consolidation of T2/T2S and receive information on the progress on ECMS.

5.4.2 CSD Steering Group

The CSG Chairman will report on the outcome of recent CSD Steering Group (CSG) meetings.

Document:

- Presentation: Debriefing by CSG Chairman to AMI-SeCo

Outcome

The AMI-SeCo took note of the status update of the CSG activities (related to the fourth migration wave of T2S, Eurosystem initiatives and ongoing regulatory developments).

5.4.3 Change Review Group (CRG)

The T2S Programme Office (PO) will provide a report on the activities of the CRG and an overview of the status of the change requests that have been approved or have arisen since the last AG meeting.

Document:

- Overview of status of change requests

Outcome

The AMI-SeCo took note of the status of the CRG activities regarding the Change Requests for the T2S Release 1.3, the status update on the scoping exercise for future releases (R2.0 and R3.0) and other topics under CRG discussion. More detailed information can be retrieved from the CRG website.

5.4.4 Directly Connected Parties (DCPs) Group

The DCPG Chairperson will update AMI-SeCo on the latest DCPG meeting outcome.

Outcome

The AMI-SeCo took note of the status update of the DCP Group activities.

5.4.5 CSDR Taskforce

The Chairman of the CSDR-TF will provide an update on the activities of the CSDR-TF.

Document:

- Presentation on the status of the CSDR TF work

Outcome

The AMI-SeCo took note of the status update of the CSDR TF activities on T2S matters (related to analysis of RTS/ITS on CSDR requirements/authorisation and analysis of RTS on penalty regime where some issues are awaiting clarification by ESMA and European Commission). It was explained that the CSDR TF informally liaised with non-T2S CSDs. Market participants are invited to look at the material of the CSDR TF on the related website.

6. Cyber security and cyber resilience: Initiatives of European and international authorities

The ECB will present an overview of the international and European legal and regulatory initiatives on cyber security and resilience, as relevant for financial market infrastructures. Members are invited to take note and exchange views on cyber security and cyber resilience.

Document:

CPMI IOSCO “Guidance on cyber resilience for financial market infrastructures”

Outcome

The ECB presented the Eurosystem cyber resilience strategy for FMIs, which is based on the

CPMI-IOSCO Cyber Guidance as published June 2016. After reminding the audience about the main features of the CPMI-IOSCO Guidance, the ECB clarified that the strategy has three main pillars: 1) FMI resilience, 2) financial sector resilience, and 3) strategic dialogue between FMIs and regulators. The overall aim of the strategy is to ensure a harmonised and consistent implementation of the CPMI-IOSCO guidance across Europe in order to increase the cyber resilience of Europe's FMIs. Another objective is to establish an open and trusting relationship at European level between FMIs and authorities, which will allow meaningful information exchange and strategic dialogue. In its presentation the ECB made clear that from an oversight and catalyst perspective several activities towards FMIs will be rolled out over a period of two years, all on the understanding that cyber resilience is the responsibility of the respective FMIs.

The AMI-SeCo members took note.

7. Any other business

Outcome

The ECB explained the Eurosystem concept of establishing European Issuance Service (EIS), as already announced in a [speech](#) by ECB Executive Board member Mr Yves Mersch on 31 January 2017.

It was explained that the considerations are at an early stage, with a scope limited to debt instruments (primarily ECB and European supra-national debt issuers) looking for a domestic euro market building on T2S community benefits as much as possible.

Participants expressed great interest in the early considerations and underlined the need for close collaboration with all relevant market stakeholders including issuers (and their agents) to build on existing expertise.

The ECB will come back to the AMI-SeCo members with more information on the follow-up as matters develop, building in particular on the collaboration with the CSG members.

Next meetings

4-5 July 2017 AMI-SeCo

7-8 December 2017 AMI-SeCo