



EUROPEAN CENTRAL BANK

EUROSYSTEM

Overview of existing non-compliance cases in the T2S harmonisation agenda

AMI-SeCo meeting, item 3.3

20 November 2018

Background

- Discussion in June AMI-SeCo meeting on the need to take stock of existing non-compliance cases and resolving them with high priority
- Recent update cycle (milestone report + impact assessment) gives good opportunity to take stock
- HSG took stock and discussed the topic in its October 2018 meeting
- The aim of the AMI-SeCo discussion is a strategic view (not going into technical details necessarily and without prejudice to MIB follow-up on individual cases as per agreed framework)

Standard #6 – T2S CA standards

- Overall, compliance continues to improve but slow
- In many red cases the actual level of compliance with the standards is high
- 3 clusters of countries according to prospects of achieving full compliance:
 1. DK, HU, LU and SK (both) clearly communicated concrete plans to achieve full compliance – most by 2019
 2. Euroclear markets (FR, BE, NL) plans in place to improve compliance but not complete
 3. DE, AT – no plans or not clear whether commitment exists for full compliance (tax policy considerations)



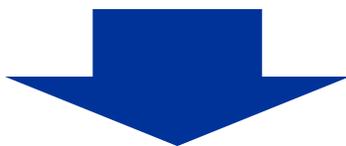
DE, AT NSGs to be approached

Standard #6 – T2S CA standards

T2S markets	Market claims	Transformations	Buyer protection	Total	Trend (recent progress)
Austria	89%	100%	100%	95%	→
Belgium (EoC)	100%	100%	0%	69%	↗
Germany	63%	100%	94%	81%	→
Denmark	93%	100%	100%	97%	→
France	96%	0%	0%	46%	→
Hungary	18%	92%	100%	59%	→
Luxembourg (LUX CSD)	96%	100%	100%	98%	↗
Netherlands	96%	92%	100%	97%	↗
Slovakia (CDCP)	100%	100%	94%	98%	↗
Slovakia (NCDCP)	68%	0%	0%	32%	↗

Standard #2 – Matching fields

- Four non-compliance cases (ES, HU, two SK)
- HU and SK – communicated clear plans to comply (not challenging standard)
- ES challenging standard based on legacy market practice (intensive practical use of end-investor information for equities to avoid cross-matching)



HSG discussion on-going on ES case

Standard #14 – Restrictions on omnibus accounts

- Only FR not compliant due to legal requirement to separately hold registered and bearer securities (both have to be issued under same ISIN)
- No plans in place to secure compliance
- Not high volumes affected currently but effect is serious throughout the custody chain (including investor CSDs) for FR securities



FR NSG to be approached

Standard #4 – Tax info

- Only IT not compliant due to practice related to portfolio transfers
- Standard considered not optimal for prospects of portfolio transfers harmonisation across borders



On-going discussion on rewording standard linked to further work on portfolio transfers

Overview of existing non-compliance cases (priority 1)

Non-compliance with	Harmonisation Standard (#6) on Corporate Actions	Harmonisation Standard (#2) on Matching Fields	Harmonisation Standard (#14) on Restriction of Omnibus Accounts	Harmonisation Standard (#4) on Interaction for Tax info
T2S markets				
AT	Medium			
BE – Euroclear	Medium			
DE	High			
DK	Medium			
ES		High		
FR	Medium		Medium	
HU	Medium	Low		
IT				On-going discussion
LU	Low			
NL	Medium			
SK – CDCP	Low	Low		
SK - NCDCP	Low	Low		

red: no plans to further improve compliance, yellow: plans are in place to further improve compliance without a concrete commitment for full (100 %) compliance / on-going discussion at community level on application of standard, green: commitment / plan for full compliance

Post trade environment standards (former priority 2)

Two standards are monitored currently:

- On CAJWG standards (st. #18) 4 cases (DE, HU, two SKs) are red (with 2 blue and the rest green)
- On Securities amount data (st. #23) 1 market (FR) not compliant with some debt instruments counted in units (less than 2 % of FR ISINs)

HSG conclusions

- On most of the existing non-compliance cases there are credible plans / promising discussions in place to secure compliance in the short / medium term (i.e. by 2020)
- In a few cases there seems to be lack of momentum due to legal or regulatory obstacles / sensitivity of the issue (tax)
- HSG agreed nevertheless to continue monitoring and following up on all non-compliance cases regardless of their complexity

AMI-SeCo is invited to discuss and endorse HSG analysis