



T2S TASK FORCE ON DISTRIBUTED LEDGER TECHNOLOGY

ECB-PUBLIC 23 September 2016

1ST MEETING OF THE T2S DLT TASK FORCE OUTCOME

Date & Time	12.09.2016 [10:00 to 17:00]
Venue	European Central Bank, Main Building, Sonnemannstrasse 20, Frankfurt am Main, Germany

List of attendees:

Mr. Stephen Lomas (Chairman, Deutsche Bank)

Mr. Andrea Pinna (Rapporteur, ECB)

Mr. James Higgins (BNY Mellon)

Mr. Marcello Topa (Citi)

Mr. George Kalogeropoulos (ECB)

Mr. Luc Vantomme (Euroclear)

Mr. Björn Svensson (Euro CCP)

Ms. Yolanda Graña (Iberclear)

Mr. Michael Buzza (Northern Trust)

Mr. Alain Rocher (Société Générale)

Mr. Swen Werner (State Street)

Mr. Tomas Thorsén (observer, European Commission)

List of Task Force members who could not attend the meeting:

Mr. Rob Morgan (AFME)

Mr. Alan Cameron (BNP Paribas)

Mr. Robert Somogyi (Clearstream Banking)

Mr. Mauro Dognini (Monte Titoli)

Mr. Chris Goossens (Morgan Stanley)

1. Chairman's introduction

The Task Force (TF) meeting started with an introduction by the Chairman on the T2S Harmonisation Steering Group (HSG) agenda and the interest of the HSG in the analysis of DLTs. The DLT-TF members took note of the terms of reference which were agreed in the HSG.

The DLT-TF members agreed on the Chairman's call for active participation to build knowledge on DLTs and on its impact on the T2S and the wider harmonisation agenda.

After a tour de table, the ECB team presented the interest of the ECB in the field of DLTs and its approach from the operational, catalyst, and oversight points of view. The DLT-TF is deemed important in particular to provide analysis and advice to support the T2S governance in order to





continue its efforts in the harmonisation agenda. At the same time, the DLT-TF deliverables will also be useful input to the ECB in order to promote its catalyst role regarding market integration.

2. Common understanding of DLTs and of their possible impact on post-trading

2.1 DLT MODELS AND TERMINOLOGY

DLT-TF participants agreed that it is important to find immediately a common understanding of terminology related to DLTs. The **ECB team** will prepare a **draft glossary** that should be considered as a starting point for contribution from participants during the 2nd TF meeting.

The ECB team clarified that the analysis regarding the impact of DLTs on harmonisation shall start from the current T2S environment since the DLT-TF is a T2S governance body. It could then be possible to look beyond T2S and to current financial market arrangements of European financial market in general, taking a more "green field" approach. Starting from a working scenario where innovation is assumed to be gradual, the HSG work on the matter (June 2016 meeting) has been considered as the right starting point. This work will be updated with contribution from DLT-TF members.

Action Points

 The ECB team will prepare a first draft of a DLT glossary of terms to be distributed to the DLT-TF members by <u>Friday 14 October 2016</u>

2.2 Possible impact of DLTs on current T2S Harmonisation activities

The ECB team provided an overview of the T2S harmonisation activities and a preliminary analysis of the possible impact of DLTs on those activities.

It was agreed that the T2S harmonisation dashboard (see Sixth T2S Harmonisation Progress Report) could be used as a starting point to highlight what activities could be affected by DLTs and why this could happen. However, the table should not constrain DLT-TF work since all processes analysed over the years by the HSG might need a rethinking in a possible DLT environment.

DLT-TF members had a first discussion on how to organise the various contributions in view of the 2^{nd} DLT-TF meeting.

Action Points

DLT-TF members should deliver to the ECB team by Friday 7 October 2016 the following papers:

1. **Mr. James Higgins** (BNY Mellon) on Issuance and on Trading (T2S Harmonisation **activities** 1, 2 on ISO messages and matching fields);





- Mr. Marcello Topa (Citi) on Asset Servicing, and Settlement (T2S harmonisation activities 5, 6, 12, 18, 20, 21, 24 on taxes, registration, corporate actions, timetable and settlement cycles with contribution from Mr. James Higgins (BNY Mellon));
- 3. **Mr. Luc Vantomme** (Euroclear), on Settlement (T2S harmonisation **activities 7, 8, 9** on **Settlement Finality** with help from **Mr. Michael Buzza** (Northern Trust)) and on Issuance (T2S harmonisation **activity 19** with help from **Michael Buzza** (Northern Trust));
- 4. **Mr. Björn Svensson** (Euro CCP) on Clearing (T2S harmonisation **activity 22** on **Market Access** to **Market Infrastructures**);
- 5. **Mr. Swen Werner** (State Street) on Settlement (T2S harmonisation **activity 11** on **Settlement Discipline Regime, DvP** settlement, use of **central bank money**).

2.3 Possible need for New Post-Trade Harmonisation activities in case of DLT adoption

TF members agreed to start working from the 2nd meeting onwards on a preliminary list of additional harmonisation activities that might be required in case of DLT adoption by post-trading institutions. The analysis shall start from the T2S environment and then go beyond T2S to include possible actions related to potentially cover collateral, cybersecurity, data privacy and reporting (both for regulatory and for business purposes). DLT-TF members who could not take part to the discussion will be contacted by the ECB team to elicit contribution on these specific topics.

To facilitate such analysis, the **ECB team** will provide a **template** to be used only internally by TF members in order to report relevant information regarding ongoing or upcoming DLT projects undertaken by market players and fintech companies.

TF members agreed to start working from the 2nd meeting onwards on the regulatory impact of DLTs. This work could also cover settlement cycles and in particular considerations regarding the best trade-off between speed and netting efficiencies.

The **ECB team** will provide a **repository of key research and policy papers**, also based on inputs by TF members, pointing to articles from academia or institutions that are analysing DLTs.

It was agreed that the TF could also interact with market players and give feedbacks on their DLT projects, but with no public stance on individual initiatives.

Action Points

- The ECB team will prepare a template for ongoing or upcoming DLT projects to be distributed to the DLT-TF members by <u>Friday 7 October 2016</u>
- 2. The ECB team will prepare, also on the basis of the input form DLT-TF members, a **repository of key research and policy papers** to be distributed by **Friday 7 October 2016**





3. DLT-TF **members who could not attend** the first meeting will be contacted by the ECB team and will be invited to prepare draft papers on selected topics to be submitted to the ECB team by **Friday 7 October 2016**

2.4 DLT TF WORK PLAN

The medium term work plan will be developed at the next meeting.

3. Any other business

3.1 ESMA CONSULTATION ON DLTS

TF members expressed their agreement on content of the draft T2S Advisory Group (AG) reply to ESMA consultation on the possible application of DLTs in securities markets.

3.2 2016 - Q1 2017 MEETINGS

TF members agreed on the proposed schedule of next meeting dates. The start of future meetings has been postponed to 10:15. The Chairman set the rule that no dialling-in can be requested during meetings and that participation should be intended on a personal basis.