DRAFT

EUROPEAN CENTRAL BANK

EUROSYSTEM

Potential enhancements to the compliance framework

HSG update

02/12/2020

AMI-SeCo Meeting 2 December

agenda item 2.4

Background

- Mandate by AMI-SeCo to HSG
  - finding ways to enforce achieving full compliance with AMI-SeCo standards (following discussion on non-compliance with T2S Harmonisation standards)
- Current T2S Harmonisation Framework
  - Relies on voluntary commitment to comply with harmonisation standards
  - MIB (T2S Board view 2013):
    - Lack of benefit from efficient cross-CSD processes in T2S if not all markets adhere to harmonization standards
    - Standards considered as mandatory
    - Non-compliance only in exceptional cases
- **Future incentives/enforcement measures should be applicable for all AMI-SeCo harmonisation standards (not only T2S standards).**

Summary of discussion in the HSG

- The HSG recognises the usefulness of the existing framework for monitoring and assessing compliance with T2S Standards
- Several cases of non-compliance with little apparent prospect of success
  - Closely associated with national legal and fiscal structures
  - Progress would require action by multiple stakeholders

  → Change in approach needed
- Focus on positive incentives for future enforcement measures
- **The recommendation from the HSG is that the existing compliance framework should be complemented by specific in-depth analysis of non-compliance cases, conducted by the HSG in systematic and sequential order.**

Recommendations for future in-depth analysis

1. **Spain – Matching fields**
   "Client of the CSD participant"-field is filled in with the end-investor information
2. **Italy – Tax info**
   Market practice to manage PortfolioTransfers through T2S
3. **Germany and Austria – Corporate Actions (Market Claims)**
   Use of "Cum"-indicator in T2S messages and the generation of market claims only after the underlying transaction has settled.
4. **France – Restrictions on Omnibus Accounts**
   Requirement to segregate holdings in dedicated accounts based on the legal form of the security (i.e. bearer or fully registered).