

19 December 2019

Methodology for progress assessment on AMI-SeCo securities settlement harmonisation activities

The following methodology is expected to be used by the AMI-SeCo when assessing and presenting progress on securities settlement ('T2S') harmonisation activities.

Harmonisation activities

A harmonisation activity is a task or a workstream that must be completed to remove a barrier to smooth cross-CSD settlement in T2S markets. Some activities are grouped under broader areas.

Example:

Area: *Legal harmonisation*

Activities: *SF I, SF II, SF III, outsourcing, conflict of laws*

Grouping of harmonisation of activities

The AMI-SeCo agreed to re-label the existing groups of activities in the T2S harmonisation work as outlined below.

Former Priority 1 would be labelled 'Core T2S settlement harmonisation (Core T2S)'. These are the activities necessary to ensure efficient and safe cross-CSD settlement in T2S. The HSG and the ECB team should view the resolution and implementation of these activities as the top priority **before the markets' migration to T2S**.

Former Priority 2 would be labelled 'Harmonisation of post-trade environment of securities settlement (Post-trade environment)'. These activities are not considered essential to ensure safe and efficient cross-CSD settlement in T2S, although they are considered essential for the enhancement of the competitive environment and the efficiency of T2S. Harmonisation phases

The three harmonisation processes/phases for each activity in the T2S harmonisation list remain: definition, monitoring and implementation. Each of these phases corresponds to a different aim/question.

Definition: This refers to the T2S (or, where relevant, wider European) standards/rules definition process. What are the standards and who is responsible for defining and endorsing them?

Monitoring: What is the monitoring framework and who are the actors responsible for monitoring T2S markets' compliance with the harmonisation standards/rules?

Implementation: This phase/process refers to the T2S markets' compliance with the relevant harmonisation standards. What is the process, and who ultimately needs to implement changes and adapt to the harmonisation standards/rules? What is the implementation status for each T2S market?

Responsible actors

For each process/phase, clearly defined responsible actors and concrete deadlines are proposed.

Definition actors: entities responsible for defining the standard (e.g. the AMI-SeCo supported by HSG/CASG for the T2S corporate actions standards, EU or national authorities for withholding tax procedures, CAJWG for corporate actions market standards).

Monitoring actors: entities responsible for monitoring compliance of T2S markets with the standard (e.g. the AMI-SeCo supported by HSG/CASG for the T2S corporate actions standards, E-MIG for the corporate actions market standards).

Implementation actors: entities responsible for ultimately implementing changes and adapting to the standard (e.g. CSDs, their participants and perhaps regulators for some T2S corporate actions standards).

Dates

A deadline for completion is set for each phase. For markets that are in the process of migrating to T2S the deadline for compliance coincides with the migration date. However, for most technical standards in the group 'Core T2S settlement harmonisation', T2S markets/CSDs must be able to participate in the interoperability testing phase, abiding by the agreed rules and standards in the test environment.

T2S markets wishing to join T2S continue to be expected to comply fully with all defined and monitored standards.

Status assessment

A specific colour, based on a four-colour scheme, is displayed in the status update dashboard to reflect the progress made in each process (definition, monitoring and compliance). These colours/statuses are agreed at AMI-SeCo level, based on the proposals of the HSG (and the input of the NSGs, CSDs and other reporting actors).

For standards in the group '*Core T2S settlement harmonisation*'

In case of already migrated markets: only blue (fully compliant) or red (not compliant) statuses will be used for assessment of compliance. Red statuses will indicate if a plan exists to ensure full compliance showing the targeted date by the respective T2S market.

In case of new markets migrating to T2S: the four-colour traffic light scheme will continue to be used to assess their pre-migration harmonisation status and progress.

For standards in the group '*Harmonisation of post-trade environment of securities settlement*' the four-colour traffic light scheme will be applied.

Colour methodology in the different harmonisation processes

| Colour | Description |
|--------|---|
| Blue | <p style="text-align: center;">Compliance</p> <p>The market has achieved full compliance with the harmonisation standard.</p> <p>For technical standards (e.g. T2S ISO messages), this means that the T2S market is already operating in compliance with the standard. For regulatory/legal standards (e.g. T2S settlement finality rules), this means that the relevant regulation/legislation is already in place.</p> <p style="text-align: center;">Further monitoring of the T2S market is no longer required.</p> |
| Green | <p style="text-align: center;">Definition</p> <p>The relevant stakeholder bodies (inside or outside T2S) have defined and agreed/endorsed the standards for the harmonisation activity.</p> <p style="text-align: center;">Monitoring</p> <p>The monitoring actors (inside or outside T2S) have defined and implemented a framework for monitoring and reporting progress on the T2S markets' compliance with the harmonisation standard. The T2S markets report regularly to the responsible stakeholder bodies.</p> <p style="text-align: center;">Compliance</p> <p>Changes are still pending (technical, regulatory or legal) before the T2S market can achieve full compliance with the harmonisation standard, although no obstacles have been identified to achieving full compliance by the deadline.</p> <p style="text-align: center;">and</p> <p>The market has established a clear/detailed plan for implementing the harmonisation standard and has publicly announced deadlines for full implementation.</p> <p style="text-align: center;">Further monitoring of the T2S market is required.</p> |
| Yellow | <p style="text-align: center;">Definition</p> <p>Issues are still open with regard to the definition and agreement of the standards for the harmonisation activity by the relevant stakeholder bodies (inside or outside T2S). However, stakeholders have agreed a roadmap, as well as an approach for resolving pending issues, in order to reach agreement on the standard.</p> <p style="text-align: center;">Monitoring</p> <p>The monitoring actors (inside or outside T2S) have defined and implemented a framework for monitoring and reporting progress on the T2S markets' compliance with the harmonisation standard. The T2S markets report to the monitoring bodies, although not regularly.</p> <p style="text-align: center;">Compliance</p> <p>Changes are still pending (technical, regulatory or legal) before the T2S market can achieve full compliance with a given harmonisation standard, although obstacles have been identified which may threaten the achievement of full compliance by the deadline.</p> <p style="text-align: center;">or</p> <p>The T2S market has issued a statement declaring that it will implement the standard, although it has not yet committed to concrete and publicly announced dates for the implementation.</p> <p style="text-align: center;">Further monitoring of the T2S market is required.</p> |
| Red | <p style="text-align: center;">Definition</p> <p>Relevant stakeholder bodies (inside or outside T2S) have not reached agreement on the definition of the standard and stakeholders have not agreed a roadmap or an approach for achieving agreement on the standard. Stakeholders have not agreed a formal plan for achieving compliance with the standards.</p> <p style="text-align: center;">Monitoring</p> <p>The monitoring stakeholders have not defined and/or have not implemented a framework for monitoring and reporting progress on the T2S markets' compliance with the harmonisation standard.</p> <p style="text-align: center;">Compliance</p> <p>The T2S market has not provided any information on its level of compliance with the standard.</p> <p style="text-align: center;">or</p> <p>The T2S market has decided not to (fully) comply with the standard.</p> <p style="text-align: center;">or</p> <p>Changes are still pending (technical, regulatory or legal) before the T2S market can achieve full compliance with the harmonisation standard and obstacles have been identified that have halted the implementation plan for the market and/or will prevent its full implementation by the deadline.</p> <p style="text-align: center;">Further monitoring of the T2S market is required.</p> |
| N/A | <p style="text-align: center;">Process not yet started or not assessed for other reasons</p> |

AMI-SeCo monitoring methodology

The AMI-SeCo only monitors T2S harmonisation activities for which the definition process is complete, i.e. a standard/rule/agreement has been defined and endorsed by the relevant actors. The definition may come from the AMI-SeCo (e.g. T2S corporate actions standards) or from EU authorities (e.g. the CSDR). Although the AMI-SeCo ultimately endorses all T2S harmonisation standards, the AMI-SeCo monitoring process, for a specific standard and all T2S markets, is only launched afterwards. Once the definition process is complete (i.e. the AMI-SeCo has endorsed it and assigned green status to the activity), the HSG – with the help of the ECB team – launches the monitoring process. The ECB team acts as the contact point or secretariat in this process. For some activities, this monitoring may be launched by external parties (e.g. the E-MIG for the corporate actions market standards).

The primary source of information on compliance statuses at individual T2S market level are the (self-)assessments performed by the respective NSG. The ECB team will call on all T2S markets to regularly provide input in order to update the assessments of compliance (envisaged annually). The input will then be presented at a HSG/AMI-SeCo meeting in order to give an up-to-date view to HSG/AMI-SeCo members. The AMI-SeCo aims at publishing one annual report on the progress in harmonisation at the end of the calendar year.

On standards and markets which are already assessed as fully compliant (blue) the responsibility would fall on the respective NSGs to indicate to the ECB team (and via the ECB team to the HSG / AMI-SeCo) in case they believe there is any deterioration in the assessment occurring outside of the regular monitoring (i.e. by not providing information NSGs confirm that the blue status remains valid and unchanged).

With regards to the assessment of the impact of non-compliance, barring special circumstances, the impact assessments will be updated in parallel with and presented as part of the annual harmonisation progress report at the end of the calendar year (draft to be approved in last AMI-SeCo meeting of the calendar year). Any proposed changes (delta) in the impact assessments during the year will be brought to the attention of the AMI-SeCo as part of the regular harmonisation update to the AMI-SeCo in each AMI-SeCo meeting.