

AMI-SeCo survey on remaining barriers to securities post-trade integration in Europe

1. Background, purpose and execution

1.1 Brief history of European post-trade integration efforts

At the end of 1990s and early 2000s European policy makers recognised that a lack of integration in securities post-trade services across EU Member States was a very important factor preventing achieving a European single market for capital and financial services. In 2001 and 2003 the [work of the Giovannini group](#) took stock of the state of integration of the post-trade markets and prepared a first structured overview of the identified barriers. It also proposed a set of recommended actions for their removal. The reports generated extensive follow-up discussions and in some cases actions by stakeholders (see e.g. work by the CESAME Groups launched by the European Commission). The European industry set up two working groups, one related to define standards on Corporate Actions processing (CAJWG or Corporate Actions Joint Working Group) and the other on General Meetings processing (JWGGM Joint Working Group on General Meeting). These groups created and updated the relevant set of standards for corporate actions and general meetings. In 2008, the Eurosystem's TARGET2 Securities (T2S) project and associated harmonisation agenda were launched. In addition, after 2008, also based on global level discussions in the G20 in the wake of the financial crisis, a set of EU regulatory measures were introduced that targeted a wide spectrum of financial markets and services, including post-trade services. The most important among these was the CSD Regulation (CSDR) which was also accompanied by other pieces of regulatory action directly or indirectly affecting post-trade services (including but not limited to Shareholder Rights Directive, MiFID / MiFIR, EMIR, SFTR, UCITS). In 2016, as part of the European Commission Capital Markets Union initiative, the [European Post-Trade Forum \(EPTF\)](#) was formed. The EPTF published their report in 2017 which took stock of the progress made until then and reformulated existing and identified new barriers (EPTF barriers) with recommendations on addressing these barriers. In 2015, T2S went live which drove most T2S markets to align their core securities settlement practices. In 2020, the European Commission launched a follow-up initiative on the vision of the Capital Markets Union with an action plan affecting also post-trade services (focused review of CSDR, withholding tax procedures and review of the Shareholder Rights Directive / shareholder engagement). The European Commission and the EU law-makers in general are currently in the process of completing these steps.

The Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) and its predecessors, the ECB Contact Group on Euro Securities Infrastructures and in particular the T2S Advisory Group, have contributed to the above developments by either directly driving harmonisation, standardisation discussions or providing input to the European Commission and EU law-makers in various post-trade areas.

1.2 Developments in already removing or reducing certain barriers

The reports and the initiatives highlighted in the previous section have contributed significantly to the reducing or dismantling the identified barriers:

- **The launch and evolution of T2S, including the core T2S harmonisation agenda** has directly contributed to removing a number of barriers identified by the Giovannini and the EPTF reports, including the different national settlement systems, differing business hours and calendars, absence or differences in intraday settlement finality affecting cross-border transactions, remote or foreign access to settlement systems, proprietary information technology or communication / messaging standards.
- **The progress on compliance with market harmonisation standards** including the corporate action standards (T2S CA, CAJWG, SCoRE), standards on shareholder identification, although far from completely removing the barrier related to corporate events, has significantly contributed to aligning practices by creating a path of convergence followed (at different speeds) by most markets on these practices.
- **The EU regulatory measures, in particular the CSDR** (but also some of the other mentioned in the previous section), has directly dismantled barriers (although in some cases with smaller frictions still remaining due to differing national implementations) related to different settlement cycles, settlement finality, non-discriminative access to foreign infrastructures, high-level protection of collateral arrangements, differing supervisory practices.

Already identified barriers where limited or no progress has been achieved include differing national registration practices, differences of national securities and corporate laws (resulting in potential conflicts of laws and uncertainty regarding the rights to or the owner of securities held across borders), lack or limited use of standard identifiers or lack of STP processes due to inefficient data exchange processes.

1.3 Objective of this survey

The motivation for this survey is two-fold:

- 1) With T2S cementing its role in realising the vision of a single pool of EUR central bank money liquidity for securities transactions, the CSDR having been fully implemented and with the awareness (and in some cases also the compliance) on the relevant harmonisation agendas in corporate events and other domains at an all-time high, it is timely to take stock of remaining, potentially not articulated barriers that prevent leveraging those achievements to ensure a fully integrated post-trade securities landscape. To note, the last systematic EU-level stock-take of post-trade barriers took place in 2016 / 2017 in the context of the work of the EPTF.
- 2) A new European Commission will take up its mandate in 2024 and will reflect on priorities for their term. It is expected that the integration of EU capital markets will continue to feature high on the incoming Commission's list of priorities. A timely input on the remaining post-trade barriers is expected to be welcome by European policy makers.

The primary focus of this survey is on remaining barriers not yet explored in detail or on the radar of the AMI-SeCo. Hence, the survey would not focus on well-known and systematically monitored areas, such as lack of full compliance with corporate event standards or T2S harmonisation standards in general. Nevertheless, the information collected via the survey could also complement the existing knowledge on already identified barriers by collecting concrete evidence at detailed or technical level (rather than simply identifying problematic areas at a high level). In any case, the on-going EU-level harmonisation initiatives (e.g. SCoRE, CAJWG standards) will continue and the feedback to this survey is expected to inform any potential complementing activities targeting better integration.

Respondents are requested to make their feedback on barriers as specific as possible and to provide detailed examples. Suggestions for possible enhancements or solutions to tackle the barriers are welcome. The survey is intended to cover all major post-trade areas: settlement, asset servicing, clearing and collateral management. The AMI-SeCo will analyse the feedback received and prepare a report on its basis. It is expected that the outcome will form the basis of future AMI-SeCo harmonisation / market integration initiatives as well as potential recommendations by the AMI-SeCo to European or national law-makers and regulators.

1.4 Target audience / expected respondents

The primary addressees of this survey are AMI-SeCo members and members of AMI-SeCo National Stakeholder Groups. European industry associations that are part of the AMI-SeCo and NSG secretaries are invited to distribute the link to their members (ECB will facilitate association members' individual response). Both NSG secretaries and European industry association secretariats are also encouraged (but not required) to submit a summary response on behalf of their constituency (to complement the feedback received from their members). National industry associations that are members of their respective NSGs are not expected to forward the link to their respective individual members but would be welcome to provide a summary view on behalf of their constituency.

1.5 Deadline for feedback and next steps

The deadline for feedback by respondents is **31 January 2024**. The AMI-SeCo Secretariat will process the responses and the AMI-SeCo Securities Group will prepare a report to the AMI-SeCo on the key takeaways and findings. The report and the outcome of the subsequent AMI-SeCo discussions will be made public.

1.6 Execution of the survey – Epsilon tool

The survey is released via the Eurosystem's Epsilon survey tool. The AMI-SeCo Secretariat will distribute the survey link via emails explaining how to use the survey tool and attach this document so that respondents know the questions in advance. To fill in the Epsilon survey a quick and easy registration will be necessary by prospective respondents who will be asked to register their email address. Those who register will receive a personal link to their own instance of the survey page in Epsilon. Respondents will be requested to indicate their names and the names of the institution on behalf of which they respond. The AMI-SeCo Secretariat will not process anonymous responses. Respondents will be able to save, close the survey and return to it later (by using their personal link) before finally submitting their response. After finalising and having submitted their response, the respondents will be able to download their submission as a pdf document. The AMI-SeCo Secretariat will not share individual responses to the survey with anyone outside the ECB.¹

2. Survey questions

The questions below are raised and structured to be conducive to open and detailed feedback on any barriers / issues that the respondent sees in their practice or that they are aware of. A categorisation is used, and specific questions are raised also with this objective and not to exclude categories that may be completely unknown to the authors of the survey. Therefore, even if the respondent does not agree with the categorisation, grouping or formulation of the questions or if they do not find a question covering the issues / barriers they perceive, they are encouraged to provide their input in the most detailed way possible, if not applicable elsewhere then under the open question at the end of the survey. Furthermore, if they have

¹ Please refer to the Epsilon survey page for more details on how data protection requirements are complied with.

a view, respondents are encouraged to highlight not only the issues / barriers but also what measures and by whom could potentially resolve the issues / barriers in their views.

I. Broad areas not covered by the Giovannini or EPTF reports

For reference, a list of the barriers identified by the Giovannini and EPTF reports is included in Annex 1 (incl. where they overlap). Although the work by both the Giovannini group and the EPTF were outstanding and very thorough, there may be areas of barriers that did not emerge or come into focus at the time of their reports. Before turning to the detailed questions by areas / categories, the following question aims to identify broad areas that may not have been captured by the Giovannini and EPTF lists or part of the on-going harmonisation / integration activities (see a high-level overview in Annex 2).

Q1: Do you perceive any broad areas of barriers to post-trade integration not covered by the Giovannini or EPTF reports? If yes, please describe them, also giving as many details as possible. In case you would complement the Giovannini and EPTF analysis on one or more of barriers identified by them please feel free to do so here as well.

Regarding the identified barriers what concrete measures do you propose? Who could potentially address / resolve the issues / barriers? What priority level do you attach to the issue (high, medium or low)?

II. Legal, tax and other administrative barriers / barriers stemming from national laws or public policies

In the legal area, the Giovannini and EPTF reports focused on conflict of laws stemming from differing national securities laws and definitions of securities ownership or settlement finality. They did not or not extensively cover national bias embedded in local laws or regulatory practices favouring the local CSD(s) or other post-trade providers over their counterparts based in other EU countries. Based on anecdotal information available to the ECB, there are EU jurisdictions where nearly 10 years after the entry into force of the CSDR and several years after the European Commission initiative to create a Capital Markets Union, national law / regulation or public policies treat domestic CSD(s) or other domestic post-trade service providers more favourably than CSDs or other post-trade service providers that want to offer services in these countries but are established in other EU Member States.

These can include (as examples):

- Different regulatory treatment of the domestic CSD or domestic post-trade service providers vis-à-vis other EU CSDs or foreign service providers (incl. tax-related regulation, related to access to primary issuance system by sovereign issuers)
- The domestic CSD is explicitly mentioned in national regulation as the entity that is exclusively authorised to perform certain post-trade functions / services that are crucial to securities that are governed by the national law
- Different regulatory treatment of foreign CSDs based on their business strategies (e.g. different treatment of the 'ICSDs' under national tax or securities laws)
- Post-trade consequences of national regulatory incentives for domestic issuers to issue in the domestic CSD rather than other EU CSDs

- National requirements to use a specific national platform(s) handling tax matters or other regulatory compliance matters
- Practice of sovereign debt issuers (DMOs or Treasuries) to require Primary Dealers to use the domestic CSD for the settlement of public debt issuance

Q2: Do you perceive / have you encountered provisions in national laws, regulatory practices or other administrative barriers that prevent non-domestic post-trade service providers to provide fully-fledged services on a level playing field in an EU Member State? Are you aware of such barriers in your own jurisdiction? Please provide detailed and concrete evidence.

Regarding the identified barriers what concrete measures do you propose? Who could potentially address / resolve the issues / barriers? What priority level do you attach to the issue (high, medium or low)?

III. Technical and functional barriers to cross-CSD or cross-border settlement and asset servicing

Although the level of market integration cannot be measured solely by the value and volume of cross-CSD settlement, it is fair to say that the current volumes observed in T2S are significantly lower than what most stakeholders expected before the launch of T2S. While T2S facilitates cross-CSD settlement and also contributes to easier cross-border settlement via other channels more than any other pre-existing arrangement or infrastructure did, based on discussions within the T2S community, there are still technical barriers, impediments preventing fully efficient, seamless cross-CSD settlement.

Some concrete examples highlighted by AMI-SeCo members:

- Technical limitations / potential functional improvements in T2S for cross-CSD settlement (e.g. the way CSD links are set up and used in T2S and vis-à-vis non-T2S CSDs and not aligned Cross-CSD already matched processing)
- Charging for cross-CSD settlement / realignment within T2S (some CSDs charge for realignment transactions within T2S while others do not)
- Lack of clarity of market practices / guidelines for cross-CSD settlement and asset servicing related to messaging (e.g. different existing interpretations or limited awareness on the global market practice on using the 'Place of Settlement' or 'Place of Safekeeping' fields in relevant messages, different market practices in identifying parties further down the custody chain)
- Remaining issues in cross-CSD settlement between (i) T2S CSDs ii) T2S CSDs and non-T2S CSDs, in particular when moving securities out of T2S or into T2S (differences in market cut-offs, difficulties in local market / global inventory alignments)
- Challenges in non-domestic access by CCPs to settlement services / CCP-restrictions on settlement locations
- Differences in CCP timings and processing

Q3: Do you perceive / have you encountered remaining technical barriers to cross-CSD or cross-border settlement of securities within the EU or between the EU and other jurisdictions? Please provide detailed and concrete evidence.

Regarding the identified barriers what concrete measures do you propose? Who could potentially address / resolve the issues / barriers? What priority level do you attach to the issue (high, medium or low)?

IV. Market practices and market behaviour

Even though significant progress has taken place at the level of infrastructures and the market standards facilitating cross-border post-trade services, an inertia has been observed by some stakeholders with regards to market participants' behaviour and own adaptations to the new environment. Such inertia might be due to lack of awareness of new possibilities or the challenges inherent in changing internal systems and procedures at market participants. The following symptoms (as examples) have been noted by AMI-SeCo members:

- Limited use of CSD links and cross-CSD settlement
- Lack of adaptation to T2S functionalities or in general to the possibility of cross-border settlement by post-trade service providers for cross-CSD settlement and asset servicing (e.g. use non-domestic 'Place of Settlement' field in relevant messages, partial settlement options)
- Limited use of T2S auto-collateralisation and T2S settlement optimisation features
- Outdated references to settlement arrangements and use of legacy conventions in issuance programme documents (e.g. use of national settlement calendars)
- High proportion of day-time settlement volumes (compared to night-time settlement)
- Differences in pre-settlement practices affecting settlement efficiency (shaping, allowing partial settlement, auto-partialling)

Q4: Do you perceive / have you encountered barriers or inefficiencies related to market practices or behaviour of market participants that impede efficient cross-border post-trade services? Please provide detailed and concrete evidence.

Regarding the identified barriers what concrete measures do you propose? Who could potentially address / resolve the issues / barriers? What priority level do you attach to the issue (high, medium or low)?

V. Standards and data

Although a well-known area of remaining challenges to cross-border activity, standards and data processing is worth highlighting as not all potential barriers / challenges to cross-border activity in this domain may have been discovered or discussed in detail. Issues highlighted so far (as examples) are:

- Lack of standard data exchange models for securities issuance
- Data challenges due to lack of common reference data / golden source for client and instrument (set up / distribution) and resulting lack of straight-through processing
- Limited use of global standard identifiers (e.g. LEI, UTI) in post-trade interactions
- Absence of a common pricing source for collateral and MTM operations
- Differences in standards such as messaging / format and syntax in trade settlement messaging and corporate actions

Q5: Do you perceive / have you encountered barriers or inefficiencies related to the availability or management of data and lack of compliance of available data exchange standards that impede efficient cross-border post-trade services? Please provide detailed and concrete evidence.

Regarding the identified barriers what concrete measures do you propose? Who could potentially address / resolve the issues / barriers? What priority level do you attach to the issue (high, medium or low)? Do you think the current AMI-SeCo reports and activity in monitoring compliance with the existing market standards (CAJWG, T2S, SCoRE, SRD2) is conducive to fostering market integration? If not, what would you propose to change in these activities?

VI. Other barriers

There may be other barriers to market access / full integration in the post-trade domain that do not fall in any of the categories above and they might be exposed by the survey.

Q6: Please provide any other observations on barriers / limiting factors that are relevant to cross-border post-trade services today. Please provide detailed and concrete evidence.

Regarding the identified barriers what concrete measures do you propose? Who could potentially address / resolve the issues / barriers? What priority level do you attach to the issue (high, medium or low)?

Annex I.: Overview of the Giovannini and EPTF barriers

Giovannini barrier number	Giovannini barrier title	EPTF barrier number	EPTF barrier title	EPTF assessment/treatment
I. Barriers related to technical requirements/market practice				
GB 1	National differences in information technology and interfaces	EPTF 2	Lack of convergence and harmonisation in information messaging standards	
GB 2	National clearing and settlement restrictions that require the use of multiple systems	n/a		Dismantled in T2S markets
GB 3	Differences in national rules relating to corporate actions, beneficial ownership and custody	EPTF 1	Fragmented corporate actions and general meeting processes	
GB 4	Absence of intraday settlement finality	n/a		Dismantled in T2S markets
GB 5	Practical impediments to remote access to national clearing and settlement systems	n/a		Dismantled in T2S markets
GB 6	National differences in settlement periods	n/a		Dismantled in all EU markets
GB 7	National differences in operating hours/settlement deadlines	n/a		Dismantled in T2S markets
GB 8	National differences in securities issuance practice	EPTF 7	Unresolved issues regarding reference data and standardised identifiers	Merged with GB 9
GB 9	National restrictions on the location of securities			Merged with GB 8
GB 10	National restrictions on the activity of primary dealers and market-makers	EPTF WL1	National restrictions on the activity of primary dealers and market-makers	
II. Barriers related to taxation				
GB 11	Domestic withholding tax regulations serving to disadvantage foreign intermediaries	EPTF 12	Inefficient withholding tax collection procedures	

GB 12	Transaction taxes collected through a functionality integrated into a local settlement system	EPTF WL5	Non-harmonised procedures to collect transaction taxes	
III. Barriers relating to legal certainty				
GB 13	The absence of an EU-wide framework for the treatment of interests in securities	EPTF 9	Deficiencies in the protection of client assets as a result of the fragmented EU legal framework for book entry securities	
GB 14	National differences in the legal treatment of bilateral netting for financial transactions	EPTF 8	Uncertainty as to the legal soundness of risk mitigation techniques used by intermediaries and of CCPs' default management procedures	
GB 15	Uneven application of national conflict of law rules	EPTF 11	Legal uncertainty as to ownership rights in book entry securities and third-party effects of assignment of claims	
IV. EPTF barriers not covered by Giovannini				
EPTF 3	Lack of harmonisation and standardisation of ETF processes			
EPTF 4	Inconsistent application of asset segregation rules for securities accounts			
EPTF 5	Lack of harmonisation of registration and investor identification rules and processes			
EPTF 6	Complexity of post-trade reporting structure			
EPTF 10	Shortcomings of EU rules on finality			

ANNEX II – High-level overview of existing European (or global with European relevance) harmonisation / integration initiatives:

T2S Harmonisation Agenda: [The T2S Harmonisation activities](#) arose in the context of the implementation of T2S. The standards and the activities are owned / coordinated by the AMI-SeCo and apply to T2S markets. They cover a wide range of technical standards directly relevant for settlement in T2S (core T2S harmonisation activities, such as use of ISO20022 messaging, matching rules, business hours, settlement finality rules, corporate actions on pending transactions, etc.) as well as broader areas of activities (post-trade environment of securities settlement such as the regulation of location of securities accounts in national laws, withholding tax procedures, corporate actions on stock, shareholder transparency, securities amount data). Regarding the core standards T2S itself has ensured a very high level of compliance rate with the defined standards while this has not been the case on the post-trade environment activities where the direct influence of the T2S community or the AMI-SeCo is much more limited. Nevertheless, in some of these areas the European Commission and the EU law-makers in general have taken significant steps (Shareholder Identity, Withholding Tax) recently. The AMI-SeCo monitors the progress on compliance with T2S harmonisation standards on an annual basis in its regular [T2S Harmonisation Progress Reports](#).

Single Collateral Rulebook for Europe (SCoRE): The [SCoRE initiative](#) contains 10 broad harmonisation areas that the AMI-SeCo identified in 2017. Concrete standards have been endorsed and the compliance on them monitored in 3 of these areas: corporate actions (building on and elaborating the CAJWG CA standards), billing and tri-party collateral management. The SCoRE standards are currently under implementation with a deadline of April 2024 for the first wave of implementing actors. The ECMS being rolled out by the Eurosystem (see below) relies also on the SCoRE standards and will require that all external actors directly interacting with the ECMS also follows the standards in the three areas where they have already been defined.

CAJWG Corporate Action standards. The Corporate Actions Joint Working Group representing all major stakeholder groups created the so-called '[Market Standards for Corporate Actions processing](#)' which include high-level standards on both corporate events on stock and on flow (pending transactions). Both the T2S corporate action standards and the SCoRE CA standard build on and are consistent and coherent with the CAJWG CA standards as their foundation. The compliance of all three sets of these standards are monitored by the AMI-SeCo.

Industry Shareholder Identification Standards: To facilitate a harmonised technical implementation of the Shareholder Rights Directive (SRD2) the industry agreed [on a set of standards](#) on the technical steps for shareholder identification. The AMI-SeCo also monitors compliance with this set of standards via its Corporate Events Group.

EU Issuance Service: The European Commission together with NBB-SSS and the European Central Bank is rolling out a post-trade arrangement building on T2S ensuring a neutral and efficient arrangement of issuing debt instruments on behalf of the EU (as well as EURATOM). The [EIS](#) builds on the SCoRE standards and on the state-of-the-art settlement services provided by T2S in EUR central bank money.

DIMCG harmonisation agenda: The DIMCG was an initiative by the ECB to bring together stakeholders of the whole debt issuance value chain to explore opportunities for higher efficiency and integration. [The DIMCG](#) made a set of harmonisation recommendations to various stakeholders on most of which those stakeholders have actively followed up.

Eurosystem TARGET Services developments: the Eurosystem continuously develops and updates its infrastructures for EUR central bank money settlement with the vision of a single pool of EUR central bank money liquidity. Major milestones in this work have been the launch of T2S, the consolidation of T2 and T2S and the future roll-out of the Eurosystem Collateral Management System (ECMS) which builds on

common market standards across all of the CSDs (more than 20) that the Eurosystem currently uses to take marketable collateral in. The [TARGET Services](#) catalyse harmonisation of market practices by providing the same rules and platforms across the euro-zone and even beyond, to all stakeholders of EUR central bank money settlement.

Work by European and global industry associations relevant in the post-trade domain. The European and global industry associations perform and promote key harmonisation activities by agreeing and maintaining frameworks in various areas to be followed by their members. Initiatives to highlight are ECSDA's work on various CSD frameworks in the domain of settlement discipline or matching, ICMA's work on primary market standards the data models used in debt issuance and the work done by AFME and EBF in sponsoring various market standardisation initiatives.