

The European Post Trade Group (EPTG)
Annual Report 2013

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1. The unfinished European post trade reform – rationale for setting up the EPTG

Safe and efficient post trade services are of vital importance for the operation and growth of modern financial markets.

For more than a decade, the European Union has sought through a variety of initiatives and instruments to encourage integrated, efficient and competitive post trade services for the clearing, settlement and recording of trades in financial markets to help bring about a single European financial market.

Set up in 2012, the European Post Trade Group (EPTG) is an initiative of the public and private sectors to identify and respond to issues that remain and which require a joint approach.

The goals and challenges facing policy makers and financial markets have evolved, sometimes dramatically, since an EU working group chaired by Alberto Giovannini first focused attention on post trade issues in two reports in 2001 and 2003. The Giovannini reports identified 15 barriers in clearing and settlement as important impediments to the development of a large and efficient infrastructure for securities services across national boundaries in Europe and detailed a programme of private and public sector initiatives to remove them.

The Giovannini recommendations concentrated on removing barriers to cross-border securities settlement in order to facilitate the efficient and cost-effective transfer after a trade of securities such as equities and bonds across national frontiers in the EU.

Today's agenda, by contrast, focuses as much on safety as on efficiency.

Europe's post-trade infrastructures came through the great financial crisis of 2008-09 intact. However, the turmoil focused attention on risks and potential weaknesses in financial markets and infrastructures that could have a devastating effect on the global economy if uncorrected.

Policy makers identified risk mitigation in derivatives markets as a necessary part of the post trade agenda. They put a spotlight on hitherto opaque markets and activities and, in particular, the over-the-counter ("OTC") derivatives markets, where bilateral trading in swaps among globally-active banks and other large institutions had grown rapidly in an unregulated environment to a notional value of nearly \$700 trillion by the middle of 2008. Other areas of concern included collateral provision and the post trade involvement of buy-side investors.

There have been many initiatives and groups involved in post trade reform since the Giovannini reports. Most have engaged EU institutions, national authorities and the private sector.

Some date from before the crisis, including TARGET2-Securities (T2S), the Eurosystem's project for processing securities settlement in Europe on a single technical platform. The aim of T2S is to create a borderless securities settlement platform in Europe. Its planned launch date is June 2015.

Legislation and regulation have dominated the post trade agenda since September 2009 when leaders of the Group of 20 leading economies decided at a summit in Pittsburgh, USA, that post trade regulation should be an important part of global efforts to make the financial system safe for the world economy.

Setting the tone for future post trade reform, the G20 decided that member countries should regulate and make transparent the OTC derivatives markets. To manage risks, the leaders agreed that OTC derivatives contracts should, as far as possible, be standardised and traded on exchanges or electronic platforms and cleared through central counterparty clearing houses or CCPs by the end of 2012 at the latest. To further enhance transparency, they agreed that OTC contracts should be reported to trade repositories¹.

The G20 agenda has been reflected in the priorities of subsequent post trade reforms. In the US, the Dodd Frank Act, which was signed into law in July 2010, is subjecting OTC derivatives trades to regulation for the first time. In the EU, the European Market Infrastructure Regulation² (EMIR) became law in August 2012 and is being implemented. It regulates OTC derivatives trades, CCPs and trade repositories.

EMIR is the first EU-wide law with a significant impact on the post trade sector. In the pipeline are more laws that will eventually regulate all of Europe's post trade infrastructures, their services and their users (e.g. MiFiD/R³ and CSDR⁴). A single rule book for post trade procedures is an important and necessary condition towards financial integration in the EU.

Legislation, however, cannot solve all of Europe's post trade challenges.

While attention has focused on the G20 agenda, other important issues still need to be resolved. Several barriers identified by Giovannini remain. Although some will be solved when T2S begins its operations planned for 2015, others will not, such as the harmonisation of securities law in Europe, a Giovannini priority.

Harmonisation is difficult in a single market of 28 states and for sectors in which participants represent many conflicting interests.

¹ G-20 Leaders' Statement at The Pittsburgh Summit, September 2009: http://ec.europa.eu/commission_2010-2014/president/pdf/statement_20090826_en_2.pdf

² Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201/2012 of 27.07.2012).

³ So called Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation [Commission proposal for a Directive of the European Parliament and of the Council on markets in financial instruments repealing Directive 2004/39/EC of the European Parliament and of the Council (COM(2011) 656 final)]. The legislative process to review of MiFiD and adopt MiFiR was ongoing in 2013, for details see: http://ec.europa.eu/internal_market/securities/isd/mifid2/index_en.htm

⁴ So called Regulation on Central Securities Depositories [Commission proposal for a Regulation of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories (CSDs) and amending Directive 98/26/EC (COM(2012) 73 final)]. The legislative process to adopt this Regulation was ongoing in 2013, for details see: http://ec.europa.eu/internal_market/financial-markets/central_securities_depositories/index_en.htm

On the plus side, there has been a growing awareness in Europe of the importance of harmonisation of laws and standards as a means to strengthen post trade safety and efficiency over the past decade. T2S has emerged in the course of its development as a key engine of harmonisation, at least at the securities settlement level and for the 21 T2S markets involved.

On the other hand, it has been apparent from an early stage that advances in this field require close coordination of public and private sector efforts.

Previous attempts that brought the two sides together made limited progress. The CESAME and EGMI groups⁵ contributed to the definition and analysis of post trade challenges in rapidly changing conditions but left many obstacles to integration in place.

Targeted Cooperation

The EPTG is a new public-private sector attempt to advance the post trade agenda. It was set up on a joint initiative of the European Commission, the European Central Bank, the European Securities and Markets Authority and the industry on the recommendation of the EGMI group to promote targeted cooperation between the public and private sectors and so drive forward reforms that will improve the financial integration, safety, efficiency and competitiveness of European post trade services to the benefit of issuers, market infrastructures, intermediaries and investors.

Attitudes of the public sector have changed subtly since the financial crisis. Before 2007, the EU Commission's approach to post trading reform focused on promoting market-led initiatives such as the "Code of Conduct" for clearing and settlement.

Since the crisis, the importance of harmonised EU wide rules has been universally recognised. In general, the focus of rulemaking has been more on safety than efficiency. This has produced conditions that are now more favourable to reforms that should in turn enhance efficiency.

An important EPTG aim is to decouple the post trade reform agenda from entrenched national or industry positions. The group's members are tasked as individuals with bringing their professional experience to bear on the problems in hand rather than acting simply as representatives of interest groups. They are all committed to the aim of contributing to the creation of a single and safe EU financial market.

⁵ CESAME, the European Commission's Clearing and Settlement Advisory and Monitoring Expert Group met between July 2004 and June 2008 to advise and assist the Commission on market-led initiatives to dismantle the Giovannini barriers.

CESAME II, which met between October 2008 and March 2010 was set up to continue the work of CESAME I and support and closely monitor implementation of solutions developed by the industry.

EGMI, the Expert Group on Market Infrastructures, was charged with taking a broader look at the European post trade landscape and to help the Commission services evaluate European legislation affecting the sector. It met between June 2010 and June 2011 and reported in October 2011.

Progress of the EPTG work depends on forging consensus within the group and members persuading the constituencies to which they belong to implement change. This is a process in which the industry participants have a particularly important role to play.

There have been no quick wins so far. Work is progressing. The EPTG has defined its priorities, having made sure these are not covered by other actors. These can be found in the EPTG Action List, which is reproduced as an Annex to this report.

In some cases, private sector participants have set up task forces to implement specific EPTG goals. Public sector participants are also working on delivering results in their area of competency. These steps are described in more detail in Chapter 3 of this report.

The group is responsive to changing needs. It has collated and follows more than 25 third party initiatives, helping it to add to and - if warranted – to subtract from its own agenda projects that will contribute to coordinated post trade reform in Europe.

That said, the EPTG now faces a period of great challenge. The group will strive in the months ahead to translate its efforts into achievements and so demonstrate its relevance to policy makers, market participants and the European public.

2. The process of setting up EPTG and its brief and structure

'The Commission was always of the opinion that both sectors, private and public, must at the same time and in a coordinated way go about reforms that affect the very architecture of financial services.' This statement, expressed by David Wright, then Deputy Director General DG MARKT and Chairman of the CESAME Group, in the 28 November 2008 CESAME Report was still valid in October 2011.

In that month, the Commission hosted a Post Trade Conference at which the Report of the Expert Group on Market Infrastructures (EGMI), the successor to the CESAME Groups, was presented. The CESAME Groups (2004 – 2010) and EGMI (2010 – 2011) made some progress towards dismantling the barriers in the European post trading landscape as defined by the Giovannini Group in its reports of 2001 and 2003. Yet, the work of reform was far from finished.

At the Post Trade Conference of October 2011 all speakers and participants agreed on the need to successfully conclude the process of reforming 'post-trading arrangements that constitute the point of convergence of all aspects of the life of securities'⁶. However, the conference did not offer an answer to the question 'what next?'

Against this background, discussions were initiated between representatives of the Commission, the ECB and industry at the end of 2011 and the beginning of 2012. These focused on their common interest in improving the safety, efficiency and competitiveness of Europe's post trading activities to the benefit of issuers, market infrastructures, intermediaries and investors.

The European Post Trade Group (EPTG) was set up in spring 2012 with a new format and membership structure.

CESAME, CESAME II and EGMI were groups initiated and set up by the Commission to monitor the dismantling of the barriers for which the private sector was accountable.

The mandate of EPTG, which is summarised below, focuses on driving the reform process in a comprehensive manner and on coordinating private and public sector efforts and initiatives.

Recognising that progress on harmonisation and risk reduction requires the involvement of both the public and private sector, the group consists of representatives from the three European Union institutions that are the most active in the field of post trade reform and individuals from key industry constituencies. Drawing on the experience of previous initiatives, the number of EPTG members was intentionally kept small to encourage efficiency.

⁶ CESAME Report, 28 November 2008, p.7

The EPTG mandate:

It is proposed to set up a group to co-ordinate the work of the public and the private sector to drive reforms that will improve the safety, efficiency and competitiveness of Europe's post-trading to the benefit of issuers, market infrastructures, banks and investors. It is widely accepted that post trade harmonisation will foster the much needed financial market integration.

This initiative should:

- 1. complement the legal framework currently under construction (including EMIR, the CSD Regulation, and the Securities Law Legislation) in response to the regulatory agenda agreed by the G20 in the wake of the financial crisis, and the work of the ECB on its TARGET2-Securities (T2S) project;*
- 2. drive the dismantling of barriers to cross-border safety and efficiency, including identifying and tackling issues that have developed since the Second Giovannini Report in 2003;*
- 3. define monitoring procedures with clear implementation deadlines and responsible actors for each harmonisation activity;*
- 4. support the cohesion of regulatory initiatives as they are implemented;*
- 5. avoid the duplication of efforts. The public sector, including T2S and COGESI, and industry are already working on a number of harmonisation initiatives. The new group could monitor progress on these initiatives and could help to co-ordinate their efforts.*

The scope of this initiative should include, with particular emphasis on cross-border activities, clearing, settlement, and holding of financial instruments. In scope will be trading to the extent that it impacts post trading, e.g. through exchange rules and regulations.

This initiative should focus on the value chain from issuer to end investor to ensure to address any potential opacity, complexity and inefficiencies that exist on an asset class by asset class basis

The public sector is represented by:

- The European Commission through Directorate General Internal Market and Services ('DG MARKT') since DG MARKT is preparing the draft EU legislative acts related to post trade activities,
 - The European Securities and Markets Authority (ESMA),
 - The European Central Bank (ECB).
- **The private sector** is represented by one influential and knowledgeable individual from each of the following segments of the industry:
- o The Central Securities Depositories (CSDs),
 - o The Central Counterparty Clearing Houses (CCPs),

- Banks,
- Asset managers,
- Issuers and issuer agents,
- Derivatives brokers.

The group's objective is to analyse, recommend, act and progress in the areas where harmonisation efforts are most required. With this in mind it was thought preferable to have in the group representatives coming directly from the industry, rather than representatives from industry associations.

During its first meeting the group felt that it would benefit from the addition of a limited number of experts, knowledgeable in post trade activity and harmonisation and risk reduction initiatives. Consensus was quickly reached to invite Dr. Alberto Giovannini and Peter Norman to join the group.

The group has met three times a year, holding seven meetings between March 2012, the date of its first meeting, and March 2014. The EPTG has a secretariat, to which the members from the three EU institutions and industry belong. The chairing of the secretariat and the organisation and hosting of each meeting take place on a rotating basis. Thus, the EU Commission organised and hosted the first meeting, followed by the ECB, the industry and ESMA. The EU Commission has opened a web page on its site where the minutes and relevant documents of each meeting are made available⁷.

The EPTG's first meeting in March 2012, hosted and chaired by the Commission in Brussels, and that in June 2012, hosted and chaired by the ECB in Frankfurt, engaged in constituting the EPTG and in elaborating the proposed mandate as laid down in the Terms of Reference (see Annex).

The third and fourth meetings hosted and chaired respectively by the industry in London in October 2012 and by ESMA in Paris in February 2013, laid the foundation for EPTG's work.

Subsequent meetings initiated the exchange of information among EPTG members as a basis for the EPTG's role.

The group's first priority was to identify areas for action. It decided to develop a global reference list of harmonisation issues or activities which would be as exhaustive as possible. There were already several existing harmonisation lists: The T2S list, the Giovannini barrier list and the EGMI list. The Group invested effort in consolidating these lists and identifying who was working on what. This inventory has been established as the **List of Issues followed by EPTG** and is published as an Annex to this report .

⁷ See: http://ec.europa.eu/internal_market/financial-markets/clearing/eptg/index_en.htm

A next step was to identify any remaining gaps, either in the harmonisation activities or the responsible actors. The EPTG prepared a list of issues for which actions were felt to be required. For each of these actions a member of the EPTG has accepted to drive the analysis that should lead to an agreed solution. Sometimes this has led to the creation of an ad-hoc working group of specialists to help the EPTG sponsor in the analysis and preparation of a proposed solution for further EPTG action.

The priorities are geared towards generating beneficial changes for the end users of Europe's post trade infrastructure. The group considers the economic purposes of financial instruments against the post trade infrastructures and services that support them. These economic purposes are access to capital and investment, collateral provision, hedging of risk, and the exercise of rights flowing from them.

At each meeting, participants update the group on recent developments involving regulatory initiatives, major projects and harmonisation work conducted by other bodies.

The group works to a "Plan, Do, Review, Adapt" procedure. It sometimes singles out an asset class for analysis with relation to clearing, settlement, and holding along the value chain.

The updating and the exchange of views involved in the "Plan, Do, Review, Adapt" process help to identify issues where it is necessary to intervene. The process can lead to the addition of new items to the EPTG Action List or updating the List of Issues followed by EPTG.

The first results of work performed in line with the EPTG Action List are described in the chapter that follows.

3. Achievements – work performed based on the EPTG Action List

3.1. Harmonisation of communication protocols and harmonisation of CSD operating hours and settlement deadlines

3.1.1. Harmonisation of communication protocols

Why work is needed in this area

The so-called “Giovannini barrier 1” refers to national differences in the communication protocols used by clearing and settlement providers, and especially CSDs. In order to facilitate cross-border settlement, an EU-wide protocol, based on the ISO 15022/20022 standards, is expected to progressively replace existing national protocols.

SWIFT has played an important role in defining the EU-wide standard, e.g. by publishing two important documents in 2006:

- The Final Communication Protocol;
- The Final Recommendations for the Communication Protocol Designed to Eliminate Giovannini Barrier 1 in the European Securities Clearing and Settlement Markets.

Since then, focus has been on the implementation of these standards by CSDs and their users. Since connection to the T2S platform will only be possible via ISO 20022 messages, T2S implementation will ultimately contribute to the elimination of Barrier 1 for T2S-participating CSDs, at least for settlement messages⁸. The role of the EPTG is thus limited to promoting the adoption of a common communication protocol in non-T2S EU markets, and for non-settlement messages (e.g. corporate actions processing).

What was done in 2013

The objective of an EU-wide protocol remains valid for the 8 non-T2S markets in the EU. SWIFT, which has historically acted as sponsor for Giovannini barrier 1 efforts, has confirmed that no formal monitoring has taken place since 2010 and the disbanding of the CESAME II group. In the absence of a comprehensive overview, it can however be said that many of the non-T2S markets are broadly compliant in that they use the common protocol for communicating with other CSDs and with their participants. However, the detailed implementation varies from country to country:

Bulgaria	Central Depository AD, the Bulgarian CSD, implemented ISO 15022 standards in 2002. All communication messages between the CSD and its participants are based on the Standard. A shift to ISO 20022 is conditional upon the CSD’s participation in T2S.
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⁸ All T2S markets (AT, BE (BNYM, Euroclear Belgium, NBB-SSS), CH, DE, DK, EE, ES, FI, FR, GR (BOGS), HU, IT, LT, LU (LuxCSD), LU (VP LUX), LV, MT , NL, PT, RO, SI, SK) have provided their plans as to how to implement the T2S ISO 20022 messages. No operational or regulatory barriers have been reported so far. For details on the compliance status of T2S markets with T2S IOS messages, please refer to the Fourth T2S Harmonisation Progress Report. <http://www.ecb.europa.eu/paym/t2s/governance/ag/html/hsg/index.en.htmlT2S>

Czech Republic	No information available, but CSD Prague has implemented SWIFT protocols.
Croatia	Participants in SKDD, the Croatian CSD, may perform institutional delivery services by using appropriate SWIFT messages, according to the ISO standard. They shall perform activities related to institutional delivery by sending appropriate SWIFT messages to the SKDD SWIFT address. When participants activate this service, the service of sending messages through the SKDD system is replaced by sending analogous messages through SWIFT network.
Cyprus	No information available.
Greece	HELEX uses ISO 15022 for its links with other CSDs (communication between the issuer CSD and investor CSDs). For communication between the CSD and its participants, work was underway in Q4 2013 to allow for the use of ISO 15022-based connectivity for settlement operations and corporate action notification services in addition to the existing proprietary communication interface.
Poland	KDPW, the Polish CSD, uses ISO 15022 for its links with other CSDs (communication between the issuer CSD and investor CSDs). ISO 15022 messages via SWIFT have been offered to CSD participants as an option for domestic instructions since 2010 (as a complement to the KDPW proprietary messaging system based on ISO 15022 compliant messages in XML format). ISO 20022 compliant messaging for corporate actions will be rolled out in 3 phases (for specific groups of corporate actions) by mid-2014.
Sweden	A participant in Euroclear Sweden can choose between two different interfaces: (1) Euroclear Sweden's proprietary interface and (2) ISO 15022.
UK	The CSD offers ISO 15022 for settlement and corporate action messaging. For funds re-registration, an ISO 20022 interface is provided.

What remains to be done

In the non-T2S EU markets in which Barrier 1 has not yet been fully eliminated, the following actions are being planned:

Greece	Adoption of ISO 20022 is scheduled in the next 4 to 5 years, in connection with T2 and possibly T2S (if HELEX decides to join T2S at a later stage).
Poland	KDPW will roll out ISO 20022 compliant messaging for corporate actions in 3 phases (for specific groups of corporate actions) by mid-2014.

A full removal of Giovannini barrier 1 would also involve changes at the level of market participants. It should be noted that the use of standard communication standards does not only depend on the adoption by CSDs of ISO 15022 or ISO 20022 standards. In many cases, despite the service being provided by the CSD, participants in the settlement system prefer to use the CSD's proprietary interface or other available communication channels, often because these offer additional functionalities compared to ISO messages.

The EPTG will continue monitoring the issue of communication protocols in non-T2S markets.

CSDs and their users should consider whether there is a business case justifying the creation of ISO 20022 messages for non-settlement processes such as shareholder transparency identification, in particular in a cross-border framework.

3.1.2. Harmonisation of CSD operating hours and settlement deadlines

Why work is needed in this area

Former Giovannini barriers 4 and 7 refer to the harmonisation of operating hours and settlement deadlines allowing for intra-day settlement finality in all links between EU CSDs. Such harmonisation is important because it allows for efficient and safe cross-border settlement in the EU, for example for swift movements of collateral within the European market.

The final CESAME report showed that barriers 4 and 7 were already largely dismantled by end 2008 following the implementation of the 10 ECSDA standards adopted in 2004⁹. However, there are still some differences in operating times and cut-off times among the different EU national market infrastructures. In addition, the 2008 CESAME assessment was limited to CSDs in their capacity as “issuer CSD”, i.e. in cases where securities are issued or immobilised in the CSD. It did not take into account the cross-border settlement services offered by “investor CSDs”, i.e. when a CSD opens an account with another CSD (the “issuer CSD”) to enable the cross-system settlement of securities transactions. Remaining efforts are now needed to harmonise operating times and promote intraday finality in the use of CSD links (i.e. from the perspective of “investor CSDs”).

What was done in 2013

In 2013, various work streams were under way to improve the efficiency of collateral flows across Europe, mostly under the auspices of the European Central Bank (ECB) Contact Group for securities infrastructures (COGESI)¹⁰. COGESI Subgroups on collateral harmonisation are working on recommendations, to be released in 2014, aimed at addressing remaining barriers to smooth cross-border collateral movements, including in the context of CSD links.

In the course of the year, the EPTG requested that ECSDA produce an updated overview of the existing cut-off times for CSD links. This overview revealed that, between 2008 and 2013, delays between the time gaps of the investor CSD and the cut-off time of the relevant central bank have generally decreased despite the increase in the total number of links. Among those delays, the number of links with very significant delays (i.e. over 1 day) was reduced by nearly 60%.

Since the most significant time gaps occur for indirect links (i.e. links between two CSDs through an intermediary), a joint working group of the EBF-ECB-ERC was set up in 2013 to look at settlement in commercial bank money, including the deadlines of custodian banks. Recommendations are expected to be issued by the group in the course of 2014.

For the 21 T2S markets, the standard for intraday settlement, operating hours and deadlines will be harmonised upon their migration to T2S (2015-2017). Monitoring and results for the

⁹ See http://www.ecsda.eu/uploads/tx_doctrinary/2004_04_First_ECSDA_response_to_2nd_Giovannini_Report.pdf

¹⁰ See <http://www.ecb.europa.eu/paym/groups/cogesi/html/index.en.html>

implementation plans of the 21 markets (covering 24 CSDs) were published in the fourth T2S harmonisation progress report¹¹. The compliance results show that almost no T2S market has identified any technical or regulatory barriers for migrating to the T2S single schedule of the settlement day.

For non-T2S markets, the CSDR and related technical standards will introduce harmonised rules for links between CSDs (including the indirect links) which could also contribute to reduction of delays in the future.

What remains to be done

For T2S markets, further monitoring will be carried out in 2014 and until full migration to T2S in order to ensure that upon migration all T2S markets operate according to the T2S timeline and calendar. In addition and in parallel, relevant industry associations could be invited to survey the plans of the CSD participants and other markets actors (not interacting directly with T2S services) in order to assess their readiness to operate according to the T2S times and dates.

For the non-T2S markets, the future CSDR and related so called "level 2" legislation (i.e. its technical standards) will lead to greater legal certainty in the creation and use of CSD links and should further limit delays between CSDs in a link.

In 2014 further monitoring could be undertaken by the EPTG in 2014 based on the upcoming recommendations of the COGESI subgroups.

¹¹ See <http://www.ecb.europa.eu/paym/t2s/governance/ag/html/hsg/index.en.html>

3.2. Harmonisation of pre-settlement processes

Why work is needed in this area

In Europe, the Central Securities Depositories Regulation (“CSDR”) will mandate an EU harmonised settlement cycle period for transactions in transferable securities executed on trading venues and settled in a Securities Settlement System.

The CSDR will introduce a maximum settlement period of T+2 for the above mentioned transactions. The T+2 settlement period will have to be implemented by 1 January 2015 (or at the latest 1 January 2016 for some T2S markets depending on their T2S migration wave). In a few EU markets T+2 is already in place today and others have announced that they will move to T+2 on 6 October 2014.

The purpose of a harmonised settlement period is to seek to reduce operational inefficiencies and risks for cross-border transactions, while reducing funding costs for investors. Authorities also hope that a shorter settlement period will reduce counterparty risk.

What was done in 2013

One particular focus of the European Post Trade Group this year has been to assess buy side readiness for T+2 settlement. The intended benefits of T+2 will be realised better if the pre-settlement process is harmonised and there is greater automation of smaller firms (both on the sell side and buy side).

In order to assess buy side readiness for T+2 settlement, a Buy Side Working Group was formed on the initiative of an EPTG member. Members of the Working Group included traditional Asset Managers, Hedge Fund Managers and service providers as well as trade associations. The Working Group agreed to conduct a buy side survey of processing efficiency. The survey was distributed by trade associations including the European Fund and Asset Managers Association (EFAMA) and the Alternative Investment Management Association (AIMA).

The survey covered all securities asset classes that could potentially be impacted by CSDR. Responses were received from a wide variety and size of organisation with assets under management ranging from under €100m to over €100bn and the type of organisation included traditional and alternative asset managers.

Whilst not a fully comprehensive view, the results of the survey did provide a useful snapshot of buy side readiness. The survey suggested that two thirds of respondents are well placed with high levels of trade processing automation. However, there are clearly pockets of the industry and regions that are less automated. This is consistent with sell side feedback which suggests that 35-45% of EU clients may have challenges in supporting T+2 settlement due to a lack of efficiency (accounting for 20-30% of the total trading volume).

The results of the buy side readiness survey and feedback from the sell side suggest that the buy side community should focus attention on the potential challenges of T+2 settlements which may include:

- Reduced cash management timeframes
- Securities and fund settlement cycle mismatch (i.e. mismatch between reduced settlement cycles for underlying securities and fund settlement cycles i.e. subscription and redemption cycle).
- Credit issues (e.g. fund overdrafts)
- System stability and Business Contingency Plans

While greater buy side automation should support the move to T+2, it is important to make sure that all stakeholders review their internal processes in order to accommodate the change without reduction in current settlement efficiency. Specific pre-settlement measures identified by the Working Group include:

- Affirmation on trade date
- Earlier matching
- Use of standardised electronic media for trades
- Confirmation, allocation, affirmation and matching
- Sending settlement instruction to settlement agents as soon as possible
- Static data management
- End-of-day funding as more settlement is likely to occur later in the day on intended settlement date
- Efficient fail management.

The future technical standards for CSDR will also provide some solutions in this respect.

T2S Community Initiative

In the meantime, the T2S Harmonisation Steering Group has established a T+2 Task Force in order to provide means of co-ordinating the move to T+2 for T2S markets. The T2S Task Force is composed of professionals nominated by stakeholders including industry associations. The Task Force will work on relevant topics including:

- Ensuring co-ordination across all T2S markets
- Encouraging co-ordination with non T2S markets
- Minimizing potential impacts on market participants
- Considering whether the T2S Advisory Group should provide recommendations to T2S markets in order to ensure consistency and convergence across T2S markets
- Sharing information on progress made in T2S markets and issues encountered.

What remains to be done

Further monitoring will be carried out in 2014 and we will continue to engage with the relevant industry associations to identify key trends and developments. In addition, we will monitor the work of the T2S Harmonisation Steering Group T+2 Task Force in order to identify whether any further steps need to be taken by EPTG to further support co-ordination across impacted markets.

3.3. Cross border shareholder transparency and harmonisation of registration procedures

Why work is needed in this area

The existence of divergent shareholder registration procedures, problems that these can pose for straight through processing (STP) in cross-border settlement and the absence of a pan-European model for shareholder participation at general meetings are among issues hindering the completion of a pan-European capital market and the exercise across borders of shareholders' rights.

As these issues concern different constituencies that participate in the EPTG they have been included in the EPTG Action list (as action no.4).

What was done in 2013

During 2013 a working group charged with investigating all aspects of this action point was formed by several EPTG members. It is made up of representatives of major European markets and market participants, including, among others, representatives of custody banks, registrars, issuers and investors.

The working group agreed a timeline and agenda with the aim of delivering a report dealing with all aspects of the issues at stake and suggesting solutions.

The work will be structured in several phases. The first phase will involve fact-finding. The second phase will be dedicated to analysing differences and similarities and overlaps between shareholders transparency and registration regimes in the EU. The third phase will entail developing solutions which address the justified needs of market participants and will aim at proposing solutions that are acceptable and realisable by all market participants.

The group will consider solutions for better synchronisation of settlement and registration or even separation of the two functions.

It has set itself the task of analysing the different European models for the relationship between registration and settlement in different European markets. It has identified major markets it wants to cover during the fact finding. The group aims to report on all aspects of the concept of registration and settlement, the parties involved, the structures and procedures used as well as a technical description of the IT technology and all other means used in different markets, including data formats, data fields used for messaging, technology, communication channels and timing sequences.

One important aspect of the work is the description of settlement models and their relationship with the registration processes: in some Member States registration is a pre-condition for settlement, in others registration is triggered by settlement, but there are also Member States where neither are legally or factually linked.

What remains to be done

The work on shareholder identification and registration will be based on the report of the T2S task force on Shareholder Transparency of February 2011, including the survey of shareholder transparency regimes across Europe. The work will comprise topics considered to be important, such as the “notary function”, securities’ holding structures, registration requirements, differences between, and possible different treatments of, domestic and non-domestic investors, holding patterns and registration structures and procedures.

The group aims to cover the major European markets to provide a better understanding of the markets and which model(s) are employed in the different markets. This work should result in a detailed description of each of the different models/markets, including whether the registrars are regulated. It will also include a technical description of the IT technology and all other means used in those markets, including data formats, data fields used for messaging, technology, communication channels and timing used in the markets.

Based on the work performed by the Joint Working Group General Meetings¹², another area of work involves procedures for participation at general meetings. This work will also include a fact finding exercise covering different markets in Europe in order to give a better understanding of those markets and the procedures necessary to ensure participation in a shareholders’ meeting. The focus will be on any legal or operational differences between domestic and non-domestic investors. The group also aims to report on IT technology and all other means used in those markets, including data formats, data fields used for technology, communication channels and timing sequences. One main topic may be whether, and if so how, proof of entitlement of an end investor/shareholder should and could be standardised.

The suggested timeline envisages completion of the first phase of the fact-finding exercise by the end of the first quarter of 2014. The second phase comprising the analysis of differences and similarities is scheduled for the second quarter of 2014 to be followed by the development of suggested solutions for the issues considered by the group. The delivery of the report including suggested solutions is planned for the second half of 2014.

¹² See: <http://www.ebf-fbe.eu/european-industry-standards/>

3.4. Simplification of withholding tax procedures and harmonisation of procedures for collecting transaction taxes

2013 was a busy year on fiscal compliance procedures with significant progress in relation to withholding tax procedures as well as progress on transaction tax collection procedures.

Why work is needed in this area

The Giovannini Reports identified 15 barriers to the integration of EU securities clearing and settlement systems. Two of these barriers (11 and 12) relate to fiscal compliance procedures.

Barrier 11 stipulates that all financial intermediaries established within the EU should be allowed to offer withholding agent services in all of the Member States so as to ensure a level playing-field between local and foreign intermediaries. Barrier 12 stipulates that any provision requiring that taxes on securities transactions are collected via local systems should be removed to ensure a level playing-field between domestic and foreign investors.

The FISCO reports¹³ described as a serious problem the fact that withholding tax collection and relief procedures vary considerably between Member States and that different procedures often apply even to different classes of securities within the same Member State. Many Member States restrict withholding responsibilities to entities established within their own jurisdiction. As a consequence, foreign intermediaries are often disadvantaged in their capacity to offer relief at source from withholding tax due to the significant extra cost of using a local agent or local representative in the discharge of their withholding obligations. As a result of the FISCO reports the EU Commission issued in 2009 a Recommendation on withholding tax relief procedures based on the conclusions¹⁴ of the FISCO group.

Against this background, the EPTG identified two areas where further convergence or harmonisation could benefit the internal market:

- **EPTG Action:** To dismantle the present barrier linked to withholding agents and the present withholding tax procedures (Giovannini Barrier 11), and
- **EPTG Action:** Procedures for collecting transaction taxes should be harmonised in the EU (Giovannini Barrier 12).

¹³ See: http://ec.europa.eu/internal_market/financial-markets/docs/compliance/ff_study_en.pdf and http://ec.europa.eu/internal_market/financial-markets/docs/compliance/report_en.pdf

¹⁴ Commission Recommendation of 19 October 2009 on withholding tax relief procedures (OJ L 279/8 of 24.10.2009).

What was done in 2013

Progress was made on several areas, notably, the publication of the **Report of the Tax Barriers Business Advisory Group (T-BAG)** ¹⁵ and the approval of the Treaty Relief and Compliance Enhancement (TRACE) Implementation Package by the OECD Committee on Fiscal Affairs.

First, the T-BAG Report was finalised under the title “Workable Solutions for Efficient and Simplified Fiscal Compliance Procedures related to Post-Trading within the EU”.¹⁶

The Report concludes that some substantial and practical problems still remain, such as the lack of standardised documentation; more than 54 different paper documents are necessary today to claim tax relief in the EU. This results in time consuming, burdensome and indeed costly procedures for the investors, intermediaries and tax authorities.¹⁷

The Report presents concrete proposals for solutions in this area where urgent problems still remain and require further action.

In order to solve the present problems, the T-BAG Group has worked on solutions how to simplify and standardise the present paper documentation into one single electronic document. This includes proposals, guidance and advice for making refund claims, electronic filing and documentation to prove the investors' entitlement to tax relief. The work also includes comprehensive liability solutions based on a relief at source system, improving exchange and the use of Taxpayer Identification Numbers (TINs). Also the legal basis of tax practices, corresponding OECD work and the FATCA reform is covered in the T-BAG Report.

The T2S Advisory Group (AG) has welcomed and endorsed the T-BAG report. As reflected in the fourth T2S Harmonisation Progress Report, published on 19 March 2014, the harmonisation activity on withholding tax procedures has a green definition status, meaning that there is now an agreed EU standard on the matter. Furthermore, the AG has mandated the T2S Harmonisation Steering Group (HSG) to investigate how the compliance status of the T2S markets with the TBAG recommendations could be monitored and documented. The HSG work in this area, in coordination with the EU Commission services, is ongoing.

The OECD Committee on Fiscal Affairs approved the TRACE Implementation Package, a self-contained set of agreements and forms to be used by any country that wants to implement the so-called Authorized Intermediary ("AI") system.

The AI system is a standardized system for claiming withholding tax relief at source on portfolio investments. It removes the administrative barriers that currently affect the ability of portfolio

¹⁵ The T-BAG Group comprised high level Experts, mainly from private bodies and the academic society. Commission (DG MARKT) services provided the Chair and the Secretariat. DG TAXUD and the OECD participated as Observers.

¹⁶ See: http://ec.europa.eu/internal_market/financial-markets/docs/clearing/tbag/130524_tbag-report-2013_en.pdf

¹⁷ The costs related to the present reclaim procedures are estimated by the Commission services at more than € 5.5 billion annually, whereas the amount of foregone tax relief is estimated to € 5.5 billion annually.

investors to effectively claim the reduced rates of withholding tax to which they are entitled pursuant to tax treaties or to domestic law of the country of investment. It minimizes administrative costs for all stakeholders and enhances the ability of both source and residence countries to ensure proper compliance with tax obligations.

The OECD TRACE implementation package is fully in line with the principles of the EC Recommendation of October 2009 on simplified withholding tax procedures¹⁸.

Finally, on transaction tax procedures, several meetings took place to discuss solutions on how to collect transaction tax procedures in a harmonised way in order to protect the internal market efficiency.

What remains to be done

In terms of next steps, it is important to ensure that the recommendations set out in TBAG report are fully implemented in EU Member States in order to move to more efficient fiscal compliance procedures across the EU.

The T2S Advisory Group will further work during 2014 in identifying how the TBAG recommendations are implemented in T2S markets, in order to foster a more efficient cross-border settlement within the 21 European markets and the 24 CSDs connected via the T2S platform.

For the time being the EPTG has no active role to play in this implementation process. The topic is therefore moved from the EPTG Action List to the List of Issues followed by the EPTG.

¹⁸ Commission Recommendation, the underlying study on "The Economic Impact of the Commission Recommendation on Withholding Tax Relief Procedures and the FISCO Proposals" and other background documents related to fiscal compliance procedures have been published on the Europa website: http://ec.europa.eu/internal_market/financial-markets/clearing/compliance_en.htm.

3.5. Harmonisation of operational processes for ETFs

Why work is needed in this area

The European market for Exchange Trade Funds has huge potential for growth but is lagging badly behind its US counterpart. Post trade problems are among several issues constraining the development of ETFs in Europe. The European Post Trade Group is encouraging action among trading venues, CCPs, CSDs and other stakeholders, including the Eurosystem, to rectify these.

At one level the ETF market in Europe is a success. It grew strongly from virtually nothing in 2000 to be worth \$378 billion by July 2013¹⁹. During the crisis period of 2007-09, ETFs bearing the UCITs brand became a “European Refuge Value”, reflecting their transparent pricing, liquidity and lower cost of management and distribution compared with non-listed UCITs.

But the ETF sector in Europe manages only a quarter of the money of its US counterpart despite there being 44% more ETFs in Europe, and accounts for only 6% of global ETF trading volumes compared with the US market’s 85% share. It is 5 to 10 years behind the much larger US market in terms of size, sophistication and product development.

What was done in 2013

A study presented to the EPTG meeting in October 2013 made clear that several structural issues would have to be overcome for the market in Europe to realise its potential. The fragmentation of the European market, reflecting the local character of its market infrastructures and the legacy of national regulations, ranked as a growth impediment alongside such non post trade issues as the European fund distribution model, a lack of retail client penetration and national bias among investors.

The study, produced by an EPTG member with input from NYSE Euronext, also noted how the share of the synthetic ETF market in Europe had increased from 21% in 2005 to 36% by November 2012. Seen in the context of inefficiencies in the fund settlement process, the increased sale of synthetic swap-based funds raised concerns about investor protection, market integrity and – potentially - systemic risk, according to the study.

Europe’s multiplicity of trading venues and central securities depositories – whether they be issuer or investor CSDs – gives rise to settlement inefficiencies (for instance, the low cost of buy-in procedures and other measures to enforce settlement discipline mean there are inadequate penalties to deter failed ETF transactions). In some other cases, delays can also result from inefficiencies at the custodian level and different issuer models for ETF/remote trading must also be addressed.

¹⁹ According to BlackRock ETP Landscape Industry Highlights July 2013

The current inefficiencies are expected to be reduced when the new European legislation, such as MiFID/R and CSDR (as well as related technical standards) come into force. For example, CSDR will introduce a harmonised settlement discipline regime and buy-in procedures for the whole European Union.

What remains to be done

The gradual creation of a pan-European regulatory framework through measures such as MiFID/R and CSDR and the coming on stream of T2S will help harmonise and so improve post trade processes for ETFs in Europe. The centralisation of European settlement thanks to T2S (though not before 2017) will help to achieve cost reductions in the domain of cross-border transactions.

In addition, the advent of MiFID/R requirements for all ETFs to be reported in big venues will contribute to transparency. However, it will take time to build this single European market for ETFs in the absence of large scale cooperation between the major European stock exchanges or other trading platforms and because of the dominance of the OTC market.

All stakeholders should be involved in delivering a more efficient post trade environment that can realise the growth potential of the ETF market in Europe. CCPs and CSDs have a special role to play.

As a conclusion, the EPTG decided to promote the setting up of a dedicated working group on ETFs, with stock exchanges, CCPs, CSDs and users with the aim to accelerate the work and to issue by end 2014 best practices for ETFs especially once T2S and MiFID/R go live.

Outlook

Since March 2012, when the EPTG was created, post trade reforms have delivered significant results by removing several so-called Giovannini barriers in the financial infrastructures landscape. Moreover, the stability and efficiency- driven agenda of post trade reform has recently been broadened in order to take into account the safety concerns that were raised during the financial crisis.

In July 2012, the European Markets Infrastructure Regulation (EMIR) was adopted delivering the European Union's G20 commitments on OTC derivatives that were agreed in Pittsburgh in September 2009. Introducing new rules and requirements for OTC derivative transactions, EMIR addressed regulators' and market concerns regarding the risks related to these types of transactions and promoted market transparency. At the same time, EMIR has opened access to CCPs from other Member States thus allowing for more efficient cross-border clearing.

The review of MiFID, which has run in parallel to the adoption of EMIR, aims to strengthen the internal market for investment services and provide safer, more accessible and efficient trading venues. It also introduces a trading obligation for derivatives transactions. Political agreement has been secured in the European institutions and the final legislative text was adopted this spring.

Several Giovannini barriers were also tackled by the Commission proposal for a Regulation on Central Securities Depositories (CSDR) which was presented in March 2012. The objective was the creation of a genuine single settlement market in the European Union. Political agreement was secured in the European institutions in December 2013 and the final legislative text will be adopted this spring.

The CSDR goes hand-in-hand with the T2S project run by the Eurosystem. The creation of a single settlement platform is a task which involves overcoming various technical and operational challenges and requires the removal of several barriers, among them various barriers identified in the 2001-2003 Giovannini reports. This challenging exercise is, however, delivering tangible results such as those described in Chapter 3.1 of this Report in the area of communication protocols, CSD operating hours and settlement deadlines. Each year the T2S Advisory Group, including representatives from all T2S stakeholders, delivers a T2S Harmonisation Progress Report²⁰ which examines the progress made in different areas by using a 'traffic light' system. Each year, indications of progress become more prominent in defining the standards and their implementation. After years of effort, the platform is scheduled to be launched in June 2015.

Since the EPTG was created, several industry initiatives have facilitated a better understanding of the interaction between the stakeholders and the changing regulatory framework in the post trade area. For example, in the area of harmonisation of pre-settlement processes a Buy Side Working Group conducted a survey of processing efficiency and buy-side readiness for the T+2

²⁰ <http://www.ecb.europa.eu/paym/t2s/governance/ag/html/index.en.html>

settlement cycle which will be made obligatory under CSDR. Upon the request of the EPTG, the European CSDs Association also produced an updated overview of the existing cut-off times for CSD-links showing that a number of links with significant delays of over 1 day has fallen by 60% since 2008. The adoption and entry into force of the CSDR in the course of 2014 will also provide greater legal certainty to the creation and use of CSD links and should further limit delays.

In the area of cross-border shareholder transparency, the Working Group has commenced the first phase of a fact-finding exercise to obtain an overview of differences and similarities in registration procedures and shareholders participation models in the EU. The work will continue in 2014 with the aim of further analysing and suggesting possible solutions in the second half of the year. In the meantime, on 9 April 2014, the Commission adopted a proposal for a revision of the Shareholder Rights Directive²¹ which amongst others includes the establishment of a framework to make it easier to identify the shareholders, so that they can more easily exercise their rights (e.g. voting rights), in particular in cross-border situations (44% of shareholders are from another EU Member State or foreign).

Looking back at developments during past year and throughout the whole period since EPTG was created, a slowly yet steadily changing post trade landscape can be seen. Many reforms have been ongoing, with reforms at different points in the legislative cycle (adoption, negotiation, entry into force) or already in the implementation phase (e.g. EMIR). In the coming years important legislative work will continue at 'level 2' in ESMA where regulatory and implementing technical standards will need to be developed as well as technical advices provided for the CSDR and MiFID/R. These efforts will continue to require the attention of regulators and the post trade industry. In parallel, the T2S project is approaching its launch phase. In this context, industry is adapting and keeping pace of the changes.

Looking ahead, the successful implementation of the adopted reforms and launch of T2S will keep both regulators and industry busy in the years ahead.

The EPTG will continue its work as described in the Terms of Reference, based on the EPTG Action List and on the List of Issues followed by the EPTG.

²¹ Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184 of 14.7.2007, p. 17).

Annexes

Terms of Reference for the European Post Trade Group (EPTG)

Scope and Objective

It is proposed to set up a European Post Trade Group (EPTG) to coordinate the joint work of the public and the private sectors to drive reforms that will improve the safety, efficiency and competitiveness of Europe's post-trading to the benefit of issuers, market infrastructures, intermediaries and investors. It is widely accepted that post-trade harmonisation will foster much needed financial market integration.

This initiative should:

1. drive the dismantling of barriers to cross-border safety and efficiency, including identifying and tackling issues that have developed since the Second Giovannini Report in 2003;
2. complement the legal framework currently under construction (including EMIR, the CSD Regulation) in response to the regulatory agenda agreed by the G20 in the wake of the financial crisis, and the work of the ECB on its TARGET2-Securities (T2S) project. It will also support the cohesion of regulatory initiatives as they are implemented;
3. avoid the duplication of efforts. The public sector, including T2S and COGESI, and industry are already working on a number of harmonisation initiatives. The Group could share information on the progress on these initiatives and could help to co-ordinate efforts where additional work is required. It will define monitoring procedures with clear implementation deadlines and responsible actors for each harmonisation activity.

The scope of this initiative should include, with particular emphasis on cross-border activities, clearing, settlement, and holding of financial instruments. Trading will be in scope to the extent that it impacts post-trading, e.g. through exchange rules and regulations.

This initiative should focus on the value chain from issuer to end investor to ensure to address any potential opacity, complexity and inefficiencies that exist on an asset class by asset class basis.

Organisation

The members of the Group will be representatives of key players in the post-trading landscape to manage the reform process. The Group will be composed of senior representatives from the European Commission, ECB, ESMA, and industry. The Group members from industry will include representatives of issuers, infrastructure providers, intermediaries, and investors. The Group will also include independent experts on a permanent and an *ad hoc* basis

The Group may set up expert Task Forces for issues that are not currently tackled under other initiatives. Individual Group members ('sponsors') will ensure that the working group deliverables are timely and adequate.

It will also set up a rotating chairmanship to manage its work between its meetings. The Group's work will be supported by a secretariat (comprised of the designated staff from the Commission, ECB, ESMA, and industry).

The Group will, as a rule, meet three times a year on the basis of a rotating chairmanship between the Commission, ECB, ESMA, and industry. Regular phone conferences may be held to monitor the progress in the interim.

Process

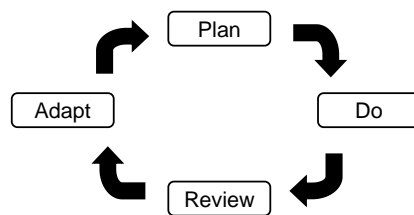
The Group will start its work by conducting a stock-taking exercise and identifying areas for action. It will draw up a list of issues on the basis of the existing harmonisation lists: the Giovannini barriers, the T2S list, and the EGMI list.

The Group will invest effort in consolidating and carefully considering all these lists including the actors responsible. This will require analysing the current situation by asset class for the activities of clearing, settlement, and holding along the value chain in order to identify areas where intervention may be required. The Group will identify gaps in the harmonisation activities and/or the responsible actors.

On the basis of this gap analysis, the Group will decide on the areas it should focus on, taking into account their urgency and priority. It will agree key short, medium, and long term priorities, and set measurable targets and timeframes. Progress will be reviewed at each meeting, with the opportunity to adapt agreed plans, and introduce new priorities. The Group may create Task Forces, if necessary, to focus on these areas at a technical level. A significant contribution from the industry is expected at this level.

The priorities will be set from the perspective of generating beneficial changes for market infrastructures, intermediaries and – in particular - the end users (issuers and investors) of Europe's post-trade infrastructures. To achieve this, the Group will consider the economic purposes of financial instruments against the post-trade infrastructures and services that support them. These economic purposes are access to capital and investment, collateral provision, hedging of risk, and the exercise of rights flowing from them.

The ongoing process shall follow a "Plan, Do, Review, Adapt" structure.



The Group will publish an annual report detailing the work undertaken and the progress achieved.

Initial areas for investigation

- Completing the dismantling of the remaining Giovannini Barriers.
- Safe and efficient provision and management of collateral.
- Crisis management of post-trade infrastructures, e.g. procedures and information sharing among market participants (i.e. excluding supervisory/oversight aspects of infrastructure crisis management).
- Innovation, and technological and process standardisation.
- Improving the safety and efficiency of post-trade infrastructure, in particular for funds.
- Identifying regulatory overlaps and underlaps in the post-trade arena.

European Post Trade Steering Group

<u>Name</u>	<u>Position</u>	<u>Institution</u>	<u>Alternate</u>
Joël Mérére	Executive Director, International Policy Affairs (till 1 May 2014)	Euroclear	
Marcus Zickwolff	Senior Advisor, Head of Clearing Initiatives	Eurex Clearing	
Paul Bodart	Non-central Bank Member	T2S Board	
Dr. Markus Kaum	In-House Counsel	Munich Re	
George Handjinicolaou	Deputy CEO ISDA Europe	ISDA	
Dan Watkins	Global Head of Investment Management Operations	JP Morgan	Dan Lambeth
Rodrigo Buenaventura	Head of Markets Division	European Securities and Markets Authority	
Patrick Pearson	Head of Unit, Financial Markets Infrastructure	European Commission	Jennifer Robertson
Mathias Papenfuß	Head of Operations	Clearstream Banking	
Alain Pochet	Head of Banking Services	BNP Paribas	
Daniela Russo	Director General, Payment Systems and Market Infrastructure	European Central Bank	Simonetta Rosati
Yvon Lucas	Chairman of the T2S Harmonisation Steering Group (HSG)	T2S Board	
Alberto Giovannini	Independent Expert	Unifortune	
Peter Norman	Independent Expert	Author	

European Post Trade Group Secretariat

<u>Name</u>	<u>Position</u>	<u>Institution</u>
Agata Malczewska	Legal Officer, Financial Markets Infrastructure	European Commission
George Kalogeropoulos	Principal Market Infrastructure Expert T2S Programme Office	European Central Bank
Nathalie Piscione	Senior Officer	European Securities and Markets Authority
Werner Frey	Managing Director	AFME

EPTG Action List in 2014

Nr	Activity	Objective	Development of Solution			Current state of work	Comments	Priority
			Lead Sponsor / Co-Sponsor	Actor(s) to agree solution	Target date			
1	Diversity of communication protocols, GB1	Elimination of national differences through EU wide protocol (ISO 15022/20022)	Mathias Papenfuss			Objective will be met for T2S CSDs (not necessarily the T2Smarkets) prior to their migration to T2S; process to be defined for non-T2S markets/CSDs		Medium
2	Intraday settlement, operating hours / deadlines, GB 4, 7	Harmonisation of operating hours / deadlines at all European CSDs to guarantee intraday settlement finality	Mathias Papenfuss			Objective will be met for T2S CSDs (not necessarily the T2Smarkets) prior to their migration to T2S; process to be defined for non-T2S markets/CSDs		Medium
3	Pre-settlement process harmonisation	Harmonisation of pre-settlement processes: affirmation, confirmation, allocation, matching	Dan Watkins			Survey on buy-side readiness was completed on the basis of work with various associations		High
4	Cross border shareholder transparency and registration procedures	Determination of a pan-European model for cross border disclosure of shareholders; registration procedures not to interrupt STP in cross border settlement	Markus Kaum, Alain Pochet			Work of T2S AG Task Force Shareholder Transparency as a starting point. Regarding registration procedures, the T2S AG made some proposals for further action by EPTG.		Medium
5	Exchange Traded Funds (ETFs)	Harmonisation of operational processes for ETFs	Alain Pochet			Exploratory work with key providers		Medium

List of Issues followed by EPTG

Area of interest	Issue
1 Communication	<ul style="list-style-type: none"> • T2S ISO messages
2 Market Access & Interoperability	<ul style="list-style-type: none"> • Market access and interoperability
3 Clearing	<ul style="list-style-type: none"> • CCP services to buy-side
4 Pre-Settlement Process	<ul style="list-style-type: none"> • Matching Standards • T2S matching fields
5 Settlement	<ul style="list-style-type: none"> • T2S schedule of settlement day • Differences in standard settlement periods, GB 6 • Transfer of ownership rights at the point of settlement • Settlement Discipline
6 Collateral	<ul style="list-style-type: none"> • Collateral operational procedures harmonisation • Access to collateral management systems
7 Corporate Actions	<ul style="list-style-type: none"> • Corporate Actions, GB 3 • T2S Standards Corporate Actions on flows • General Meetings, GB 3 • General Meetings Record Date
8 Shareholder Rights	<ul style="list-style-type: none"> • Shareholder Rights
9 National restrictions on place of issuance, clearing & settlement	<ul style="list-style-type: none"> • Location of clearing and settlement • Place of issuance
10 Legal harmonisation	<ul style="list-style-type: none"> • Legal barriers, GB 13, 15 • Settlement Finality in T2S markets • Outsourcing in T2S • Close-out netting
11 Recovery & Resolution	<ul style="list-style-type: none"> • Recovery & Resolution for FMIs
12 CSD account structures	<ul style="list-style-type: none"> • Harmonisation of CSD accounts segregation practices
13 Investment funds	<ul style="list-style-type: none"> • Investment funds settlement
14 LEI	<ul style="list-style-type: none"> • Legal Entity Identifier (LEI)
15 Taxation related issues	<ul style="list-style-type: none"> • Withholding tax procedures

- Harmonisation of procedures to collect transaction taxes