

Summary of discussion

7TH MEETING OF EUROPEAN POST-TRADE GROUP

Hosted by Munich Re, Munich

25 March 2014, 10:30 – 16:00 CET

Participants

Munich RE / DAI / European Issuers	Mr Markus Kaum, Chairperson
AFME	Mr Werner Frey
BNP Paribas	Mr Marc Tibi
EACH	Mr Marcus Zickwolff
ECSDA	Mr Mathias Papenfuß
ESMA	Ms Nathalie Piscione
Euroclear	Mr Joël Mérére
European Commission	Ms Jennifer Robertson
European Commission	Ms Agata Malczewska
ISDA	Mr George Handjinicolaou
JP Morgan Asset Management	Mr Dan Lambeth
Independent expert	Mr Peter Norman
T2S Board	Mr Paul Bodart
T2S Board	Mr Yvon Lucas
ECB-T2S Programme Office	Mr George Kalogeropoulos

1. Chairperson's introduction, approval of the agenda and adoption of the minutes of the previous meeting

The Chairperson welcomed the members of the EPTG.

The agenda was adopted. The draft minutes of the 6th meeting of the EPTG in Frankfurt were approved with the following amendments:

- Agenda item 4. Review of the EPTG steering document: on the first line 'document' to be added after 'EPTG steering'.
- Agenda item 6. EPTG Action List: Dan Lambert agreed that the presentation on buy-side readiness for T+2 settlement period is published as an attachment to the minutes.

2. Updates on the ongoing initiatives

Jennifer Robertson reported on behalf of the Commission:

- CSDR: The Council approved the text on 26 February and the Parliament will vote on it in a plenary session in mid-April. Meanwhile the translation and legal revision work is on-going. The publication in the OJ will probably take place in the summer. Main focus of the work in the next months is on the technical standards and delegated acts.
- MIFID: A political agreement was reached on 14 January 2014 and plenary adoption by the EP is foreseen in mid-April. The legal revision process is on-going and the publication on OJ /entry into force is likely in June. ESMA is now preparing level 2: large number of advice for delegated acts and draft regulatory technical standards, consultation should start this summer.

7 items on the Global List are addressed by CSDR and MiFID.

- EMIR: Following the authorisation of trade repositories by ESMA last November, the reporting obligation under EMIR became effective on 12 February 2014. It applies to all types of derivatives, all asset classes, and all types of counterparties. Following the re-authorisation of CCPs under EMIR by national competent authorities (process still on-going), ESMA will assess the classes of OTC derivatives that should be subject to the clearing obligation and prepare technical standards to be submitted to the Commission. Concerning margins for uncleared trades, the Commission has closely followed and participated in the international working group setting international standards in that area (WGMR). The ESAs are currently developing technical standards, which will be aligned with the international standards, to be implemented by end-2015. The ESAs will shortly consult on their draft technical standards. The Commission is continuing its work on equivalence determinations for third-country jurisdictions.
- SFTs: On 29 January 2014, the Commission adopted a proposal for a Securities Financing Transactions Regulation. It covers: reporting of SFTs to

TRs, reporting of SFTs by investment funds to investors and measures to improve the transparency of rehypothecation.

- Shareholder Rights Directive: The shareholders' identification, transmission of information and facilitation of the exercise of shareholder rights is likely to be addressed in the review of SRD, potentially to be proposed under the current Commission.
- Recovery & Resolution: The legislative proposal on recovery and resolution will be dealt with by the next Commission. The proposal will follow the international work that is being carried out at international level by CPSS-IOSCO on recovery and by the FSB on resolution.

Nathalie Piscione reported on behalf of ESMA:

- **CSDR**:
 - ESMA has published a Discussion Paper for consultation closing on 22 May; a public hearing is scheduled for 14 April in Paris.
 - A Consultation Paper including the wording of RTSs and ITSs is likely to be published during the autumn 2014.
- **MiFID**: A Discussion Paper on level 2 regulation is expected to be published in May / June 2014.
- **EMIR**:
 - Reporting obligation started in February; subsequent to some difficulties at the beginning, things are moving in the right direction.
 - Implementation of level 2 regulation is ongoing. "Questions and Answers" are published on ESMA website.

Yvon Lucas, Paul Bodart, George Kalogeropoulos and Joël Mérére reported on behalf of T2S:

- The T2S system delivery by 4CB is concluded this month, followed by acceptance tests and tests by participants in accordance with the original time plan.
- On 19 March the 4th progress report on harmonisation was published by the T2S Advisory Group (AG). The report is showing good compliance progress for T2S markets compared to last years results. The report also highlights the significant interdependences of some T2S harmonisation activities with the CSDR adoption process. An updated harmonisation overview of T2S markets will be published mid-2014, just before the start of CSDs testing in T2S.
- The T2S Harmonisation Steering Group (HSG) has set up a T+2 Task Force ("TF") with some 30 members from all relevant constituencies. Its objectives are to provide for coordination among T2S markets and to make proposals to the T2S Advisory Group regarding, among others, the implementation of the T+2 with respect to different financial instruments and transaction types. The AG may decide to send these proposals to ESMA and Commission for consideration by the competent authorities. EC suggested investigating

whether potentially Q&A or ESMA guidelines regarding the implementation of Art. 5 on T+2 could be useful. According to what is reported to the TF, currently 17 markets plan to move to T+2 on 6 October 2014 with more markets expected to choose the same timeframe. Spain and Poland will follow later.

- The T2S standards for corporate actions (CA) on flows (transaction management) should be implemented by T2S markets prior to their migration to T2S. The AG monitoring results show that some markets are unlikely to comply fully with all T2S CA standards on time
- In respect of a harmonised settlement discipline regime (SDR) in the EU, covering almost all T2S markets, there is interdependence with CSDR level 2 legislation. The HSG has set up a T+2 Task Force to work on this matter. The TF will provide the HSG and AG with proposed comments on SDR in the context of the ESMA discussion paper.
- Finally the T2S representatives expressed the strong interest of the T2S community on the monitoring procedures for the withholding tax procedures and the registration harmonisation work still missing in the EU. On the first point, the group agreed that the HSG should share all relevant material and ideas with the TF on shareholders transparency and registration procedures which is organised by the EPTG members. On the issue of withholding tax procedures, both the EPTG and the Commission services clarified that no monitoring is planned for 2014.

Werner Frey and Markus Kaum reported on the E-MIG Workshops on Market Standards for Corporate Actions Processing and for General Meetings, held in Vienna on 23 and 24 January 2014 (summary information attached).

Finally, the participants agreed that the EPTG Global List - as an inventory of all initiatives relevant for post trading which are not subject of the immediate action by the EPTG itself - should be titled the "List of Issues followed by EPTG".

3. EPTG Annual Report of 2013

The members agreed that no authors of the individual chapters should be named to make it a report of the EPTG.

The EPTG Action List item 6, CSD Account segregation practices will be moved to the List of Issues followed by EPTG for the time being, i.e. until a detailed analysis by T2S has been performed; therefore this topic is not part of the Annual Report.

The issues mentioned in the "List of Issues followed by EPTG" will be presented in an annex to Annual Report.

The changes discussed and agreed are reflected in the updated draft version to be circulated with all EPTG members for review and comment.

4. EPTG Action List

In regard of items 1 and 2 the monitoring of non T2S markets will have to be discussed at the next meeting.

Werner Frey will contact Sponsors bi-laterally in regard of the missing information (actors to agree solution, targets to be achieved in course of 2014, target date).

The group agreed to revisit the purpose and aim of the work on the EPTG action list, including a possible revision of its terms of reference, in the next EPTG meeting.

5. Organisational matters: venue and date of the next meeting.

Next meeting will take place in September/October 2014, hosted by the Commission. A review of EPTG's role, terms of reference, membership and mission in the future will be part of the agenda.