



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Review of the functioning of the AMI-SeCo

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Summary of survey and conclusions



15/06/2022

AMI-SeCo Secretariat

# Background

The AMI-SeCo was set up in 2017 by merging the T2S Advisory Group (set up as one of the governance bodies of T2S) and the COGESI (Eurosysteem contact group on securities infrastructures). Since its creation the AMI-SeCo has become a key forum for interaction between the market and the Eurosysteem on post-trade issues.

Objectives of AMI-SeCo:

- AMI-SeCo assists the Eurosysteem in the prudent design and management of financial market infrastructures operating in the single currency.
- It facilitates an active dialogue with market participants and financial market infrastructures, with a view to fostering financial market integration in the field of securities and collateral management, and to providing advice on market infrastructures managed by the Eurosysteem and related projects.
- It also acts as an advisory body to the Eurosysteem for all issues related to TARGET2-Securities (T2S), i.e. former AG responsibilities.

# Survey

In 2021 AMI-SeCo launched an in-depth discussion and review on the functioning of the AMI-SeCo and the lessons learnt since its introduction 5 years ago. Part of this review consisted of a survey gathering feedback from:

- **20 NSGs** out of 25 invited provided their replies.
- **31 AMI-SeCo members** provided complete replies (69 invitations were sent out).

Questions were asked on 6 areas:

- Composition
- Substructures
- Working procedures (*discussion on annual work programmes in Annex B*)
- Mandate
- New challenges and vision of the AMI-SeCo (*Annex A*)
- National stakeholder groups (NSGs) (*Annex C*)

# Structure of survey

Types of questions:

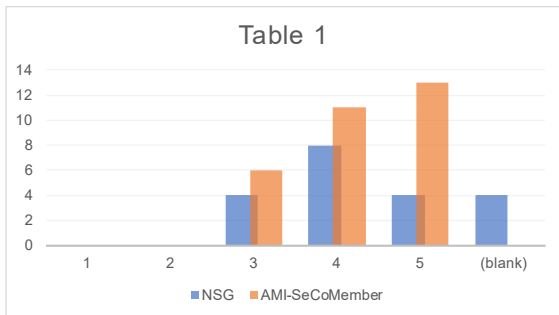
- Array – Please rate on a scale from 1 (completely disagree) to 5 (completely agree)
- Yes/No
- Text questions for additional details
- No answer is marked as blank in the statistics

Results of the survey (based on the responses received) are presented throughout the slides in grey text.

Key take-aways from the survey and further considerations by the ECB on possible revisions to the functioning of the AMI-SeCo are highlighted in blue text.

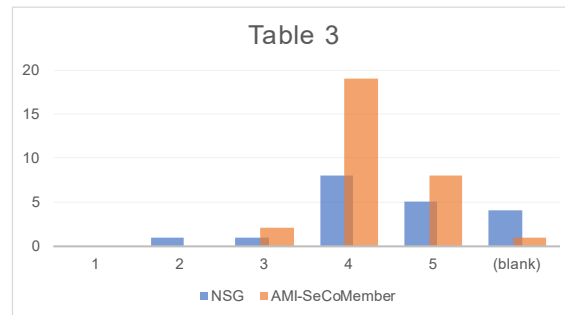
# Mandate (1/2)

## Facilitate a dialogue between the market and the Eurosystem



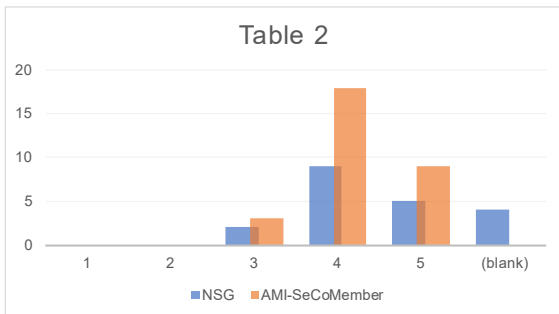
Average	
NSG	4.00
AMI-SeCo member	4.23
<b>All</b>	<b>4.15</b>

## Provide advice to the Eurosystem on the operation and development on its infrastructures



Average	
NSG	4.13
AMI-SeCo member	4.21
<b>All</b>	<b>4.18</b>

## Foster financial integration by promoting harmonisation



Average	
NSG	4.19
AMI-SeCo member	4.20
<b>All</b>	<b>4.20</b>

# Mandate (2/2)

## Key messages from respondents:

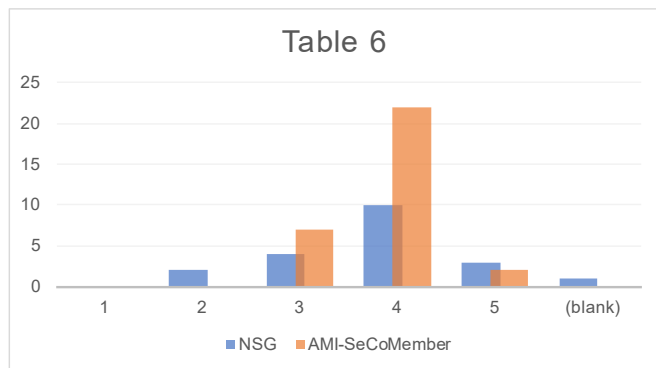
- **Overall the performance of the AMI-SeCo in relation to its mandate is rated high among NSGs and AMI-SeCo members (average 4 or higher)**
- There is a need to update the mandate to ensure greater clarity on governance structure and the role of AMI-SeCo and its substructures.
- The update to the mandate should improve efficiency when tackling new challenges, e.g. in reinforcing the definition of consensus<sup>1</sup>, where responsibilities for specific questions lies etc.

The feedback provided is in line with the foreseen approach to enhance the AMI-SeCo functioning by focusing on specific areas instead of a major, general overhaul of the AMI-SeCo. The aim is to keep the spirit of the current mandate, while adding some clarity on decision processes and responsibilities.

<sup>1</sup> *“General agreement, characterized by the absence of sustained opposition to substantial issues by any important part of the concerned interests and by a process that involves seeking to take into account the views of all parties concerned and to reconcile any conflicting arguments. Consensus need not imply unanimity.” - ISO/IEC Guide 2:2004 Standardization and related activities – General vocabulary*

# Composition (1/3)

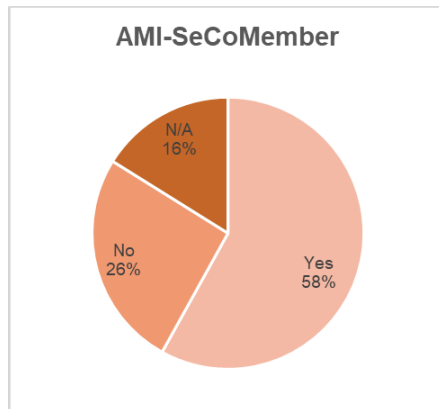
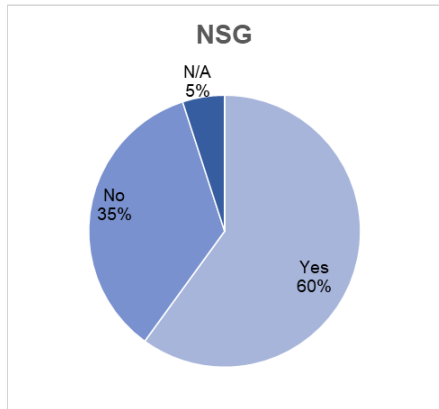
Fitness of current composition



Average	
NSG	3.74
AMI-SeCo member	3.84
<b>All</b>	<b>3.80</b>

- **Broad agreement that AMI-SeCo should include stakeholders (directly or indirectly) from all markets / regions covered by its work and broad agreement that additional stakeholders (in particular issuers) could be considered to be invited.**
- However, several respondents highlight the potential conflict between wishing to add more stakeholders and wishing to limit the number of participants, also highlighting that additional members might lead to less efficient discussions and processes.

# Composition (2/3)



- **A majority of the respondents see the need to involve additional stakeholders**
- Most mentioned is the need to include Issuers and Issuer associations
- There is also a strong need to consider the expansion of harmonisation efforts to a wider geographical scope and to ensure that all AMI-SeCo markets (also non-T2S) are represented
- There is currently very little involvement of representatives from the Central Eastern European (CEE) region

There is a need to revise the current representation both as regards its **geographical scope** (e.g. CEE, UK, Scandinavia and/or Baltic countries) and the **business scope** (e.g. issuers) of stakeholders of relevance to the harmonisation/integration discussion.



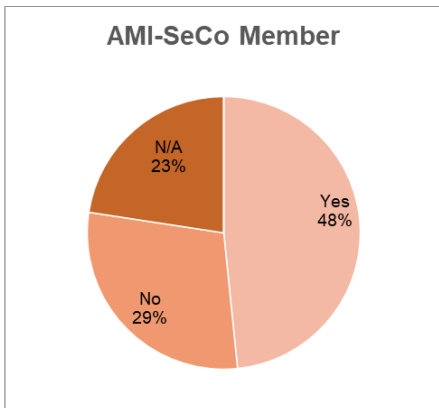
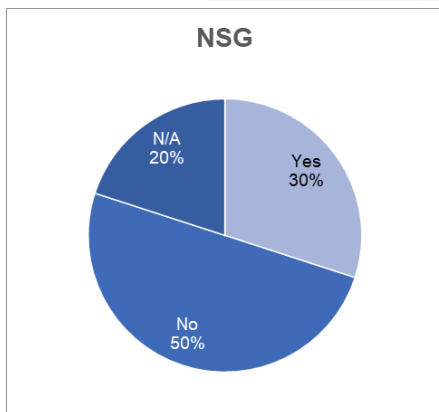
# Composition (3/3)

**AMI-SeCo's formal consultative role in T2S governance must not change.** Hence the conflicting needs of extending the membership for the harmonisation work and continuing to perform T2S-related governance functions with only T2S stakeholders may warrant forming two meeting compositions of the AMI-SeCo:

- a) **AMI-SeCo T2S composition** – T2S members (T2S users, CSDs, CCPs and NCBs) responsible for the AMI-SeCo T2S advisory function (*i.e. the responsibilities derived from the former T2S Advisory Group, working on for example change requests, financing model, major strategic changes to T2S as clearly defined in the mandate*).
- b) **AMI-SeCo** – all members, also giving current observers a more formal role (no longer observers) in harmonisation discussions, and adding stakeholders and non-T2S markets who are relevant for the harmonisation work. This composition can also receive updates on T2S, but must not participate in the process of providing formal advice on T2S.

In practice: Plenary meetings shall continue to be held with the full composition, providing advice to the Eurosystem on market developments in the area of securities and collateral management. The AMI-SeCo will be consulted in T2S composition when it formally gives advice on T2S topics.

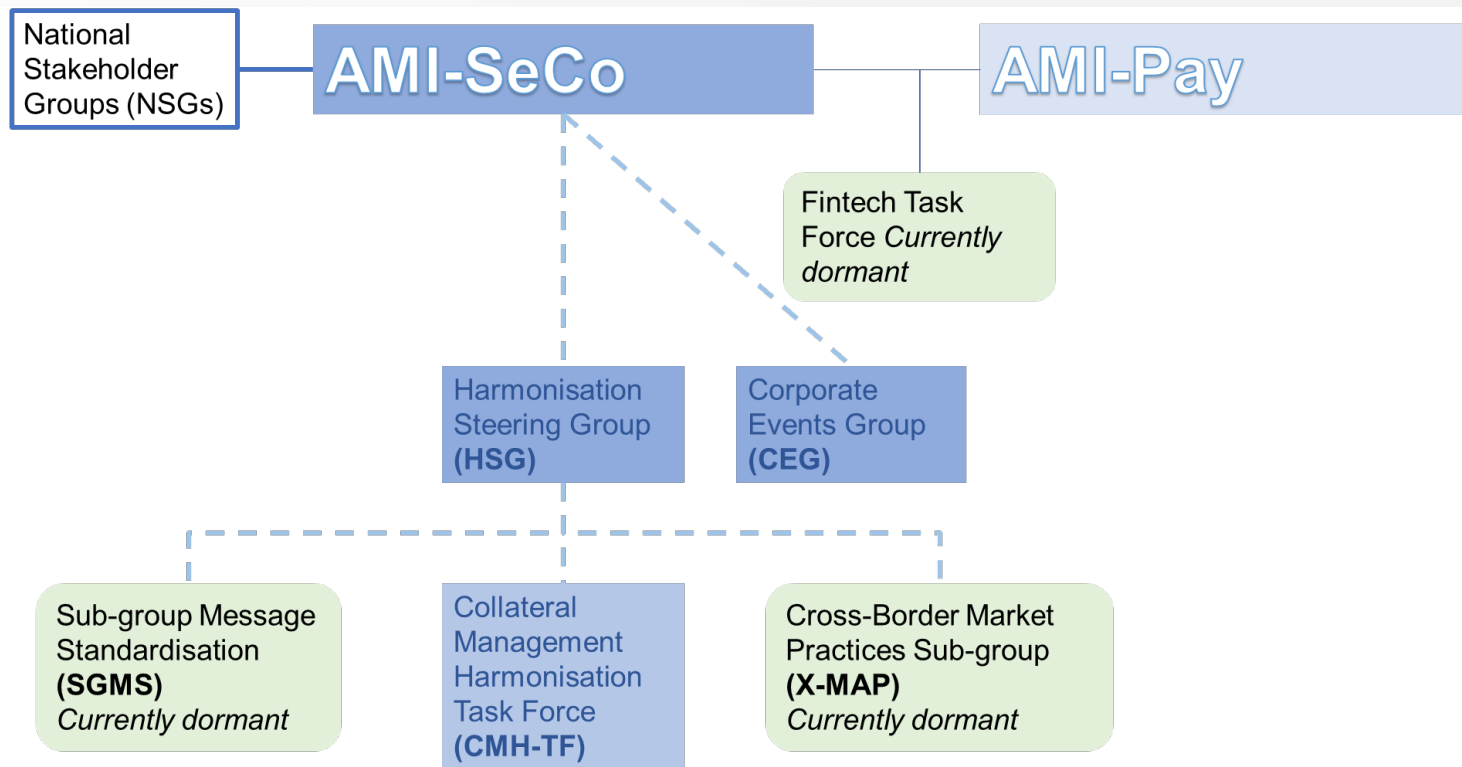
# Substructures (1/4)



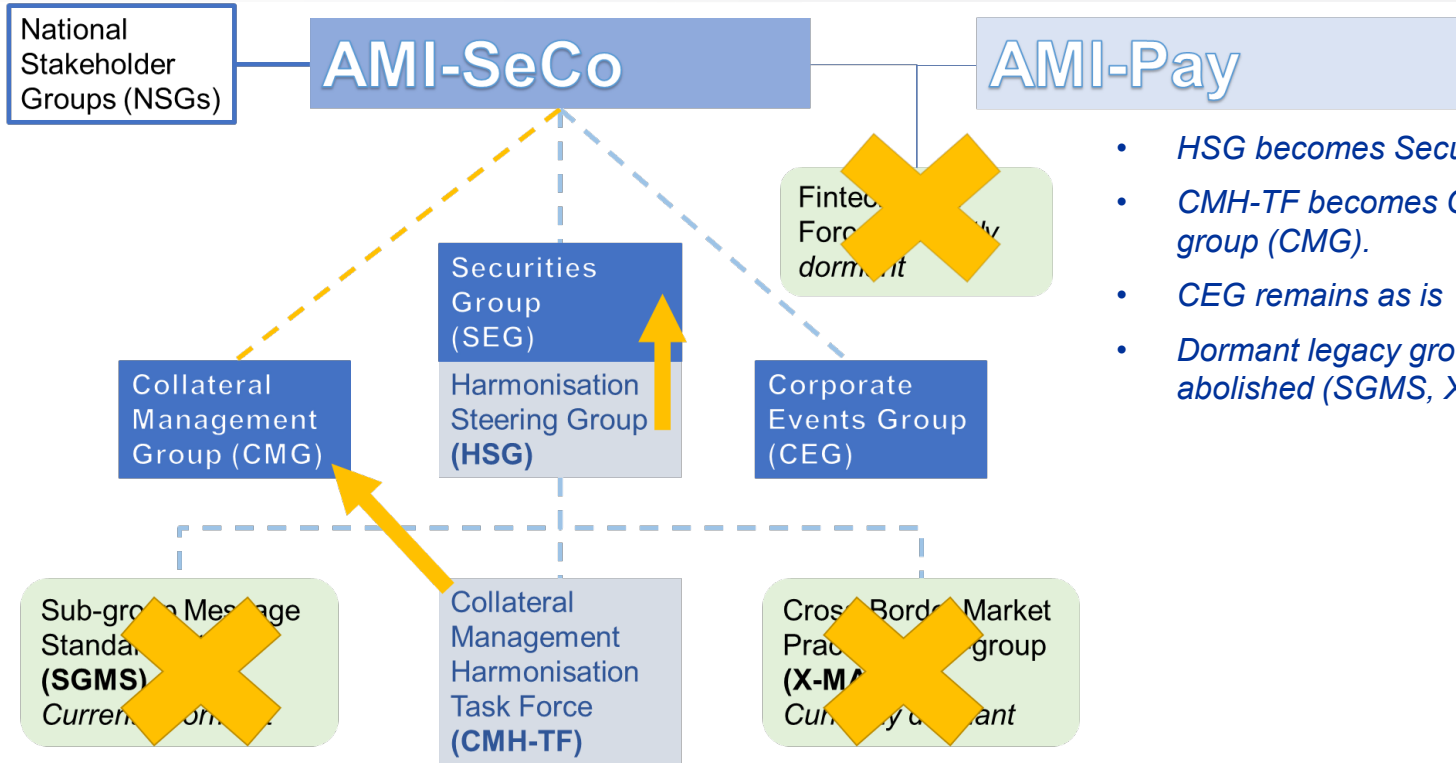
- When asked whether they see room for improvement in the organisation and set-up of AMI-SeCo substructures, half of the NSGs prefer to keep *status quo*, whereas AMI-SeCo members see more room for change.
- Abolish or maintain dormant legacy groups and task forces.
- Let CMH-TF report directly to AMI-SeCo.
- Transfer CMH-TF responsibilities for corporate actions to CEG.

Key take-away: There is support for changes to the set-up of AMI-SeCo substructures, though the views differ on how to organise this. In order to **keep AMI-SeCo governance lean** a flat and more effective set-up of substructures should be targeted, with clear division of labour and reflecting the current priorities of the AMI-SeCo.

# Substructures (2/4) – Current setup

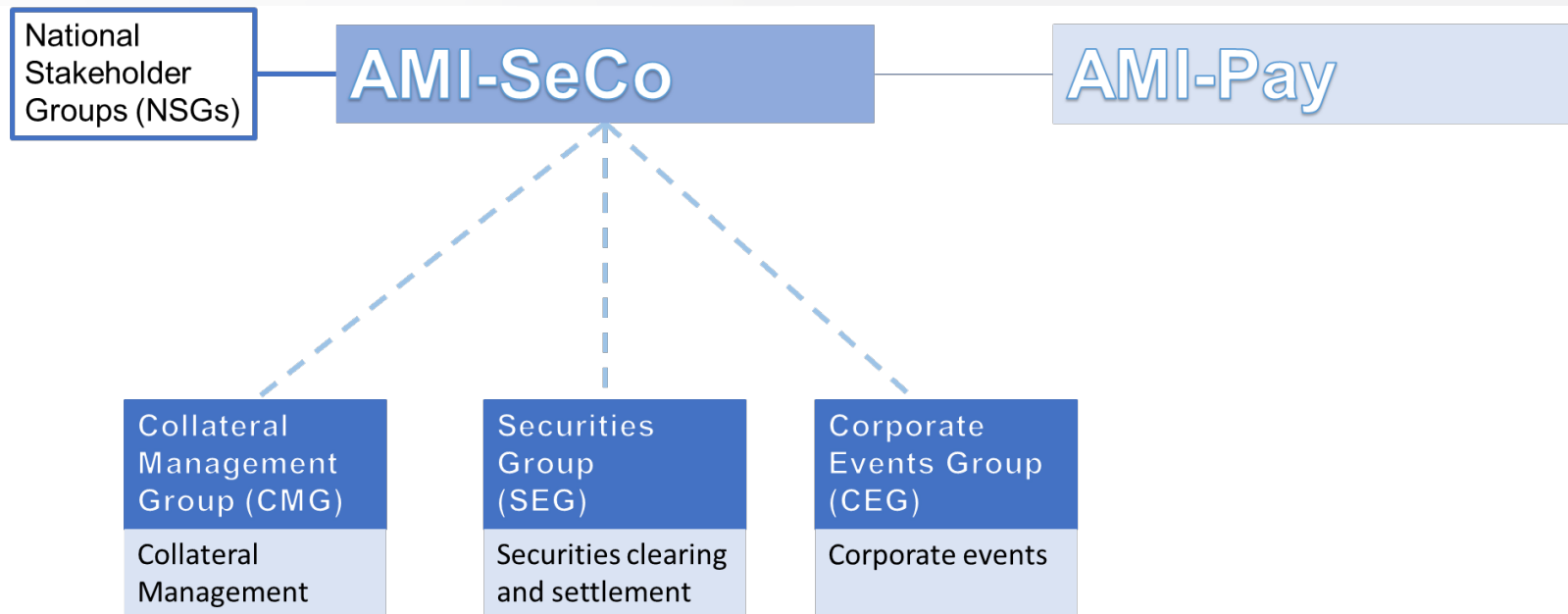


# Substructures (3/4) - Proposed changes



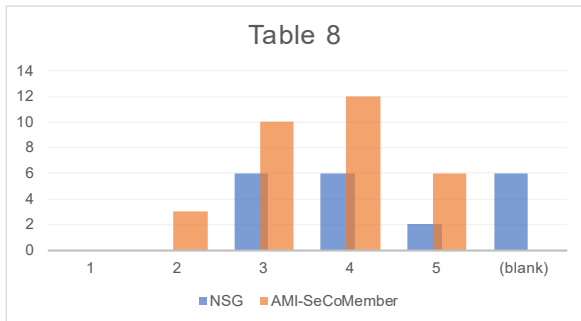
- *HSG becomes Securities Group (SEG).*
- *CMH-TF becomes Collateral Management group (CMG).*
- *CEG remains as is*
- *Dormant legacy groups and task forces are abolished (SGMS, X-MAP, Fintech-TF).*

# Substructures (4/4) - New (leaner) structure



# Working procedures (1/2)

Efficiency of current working procedures



Average	
NSG	3.71
AMI-SeCo member	3.68
All	3.69

- Overall the efficiency of the current working procedures is rated above medium, but there is room for improvement.
- Topics discussed and related output should remain advice from the market, i.e. not become ECB projects.
- Questions should be fully discussed and agreed in the substructures to avoid re-opening closed discussions in the plenary meetings.
- Several additional areas with room for improvement were suggested (e.g. timing, ASTRA folder structure), some are very straightforward to implement, while others require more consideration.

## Working procedures (2/2)

It is important to retain the flexibility, inclusiveness and consensual approach that characterised the AMI-SeCo discussions so far. However, higher clarity towards stakeholders on what **consensus** means and that **AMI-SeCo agreements / advice are not ECB or Eurosystem decisions** may be useful.

The updated mandate should clarify governance structure, thereby it could contribute to more **efficient discussions on sub-structure level** (as responsibilities would be clearly allocated), but it is also important to **limit the reopening of agreements in plenary discussions**.

Further, some proposals are straightforward to implement, for example:

- Improvements to folder structure on ASTRA.
- Where feasible, to offer more time for members to react to consultations or provide input to discussions.
- Where feasible, to send out meeting documentation further in advance.
- Possibly, better involve NSG secretaries (e.g. by including them in the relevant distribution list).

# Summary of proposals

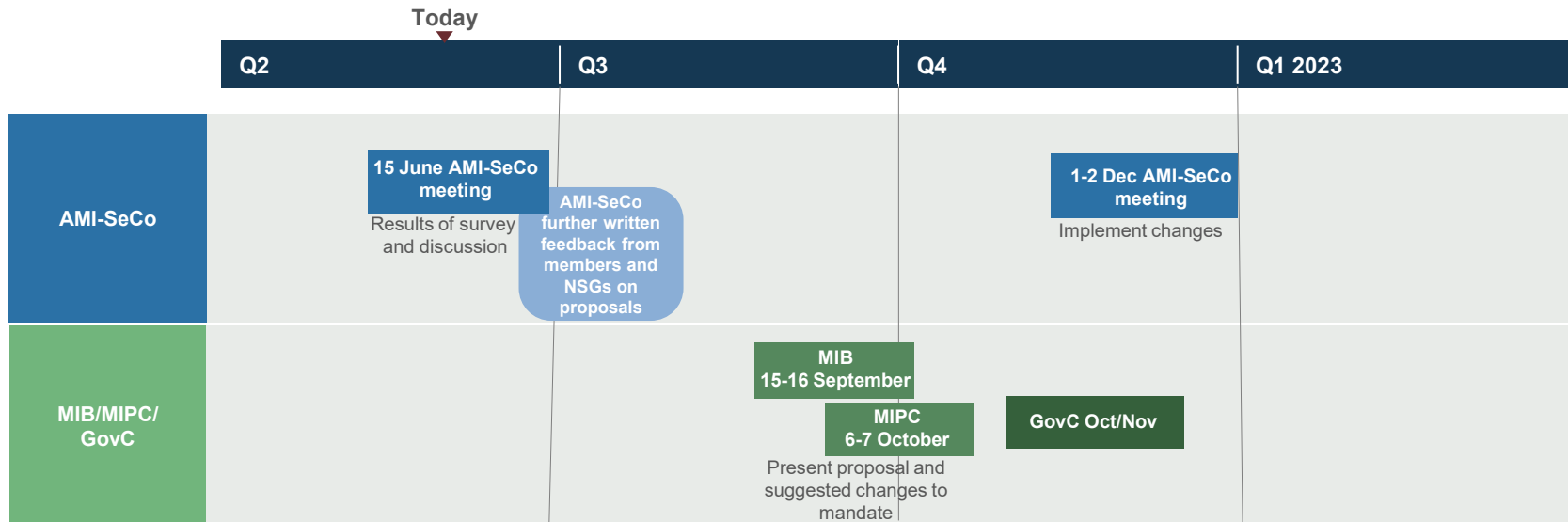
- **Install two meeting compositions:**
  - a) Formally differentiate between AMI-SeCo T2S and AMI-SeCo.
- **Expand geographical and business scope of AMI-SeCo plenary composition**
  - a) Include underserved geographical regions (max 3 new members) and issuers (max 2 new members equity and debt).
- **Adjust substructures to new reality:**
  - c) Leaner set-up, with HSG to become Securities Group and no longer act as parent group of CMH TF, dormant subgroups to be abolished.
- **Improve working procedures:**
  - d) Small enhancements (improve ASTRA folder structure, prepare and keep up-to-date overview of AMI-SeCo work items, share documents as early as possible, all NSG secretaries to be included in distribution list). Each sub-structure should be allowed to organise their work as they see fit e.g. in the introduction of annual work programmes.
- **Revisions of the mandate:**
  - e) Clarify 'consensual approach' based on consensus as defined by ISO, adjust mandate according to proposed changes



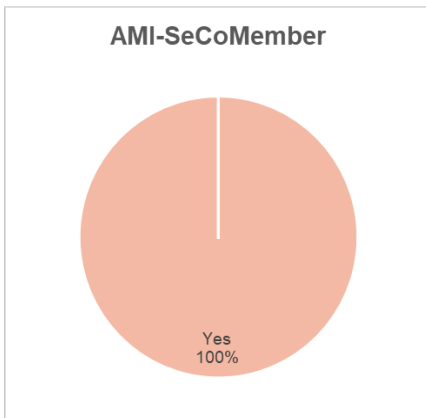
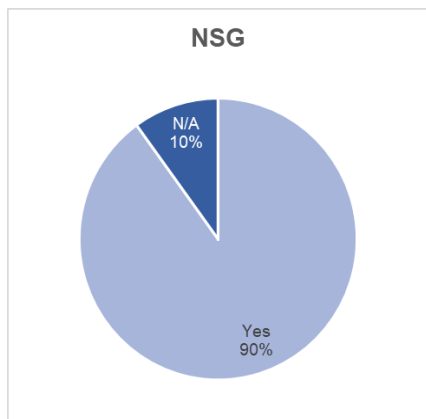
# Next steps

Any changes agreed by the AMI-SeCo and not requiring ECB GovC decision (e.g. AMI-SeCo substructures or working procedures) would be implemented in parallel.

Updates to the mandate will need to be discussed and endorsed by the **MIB** (in particular for T2S) and **MIPC**. Before final implementation, formal approval by the **Governing Council** is needed.



# Annex A: New challenges

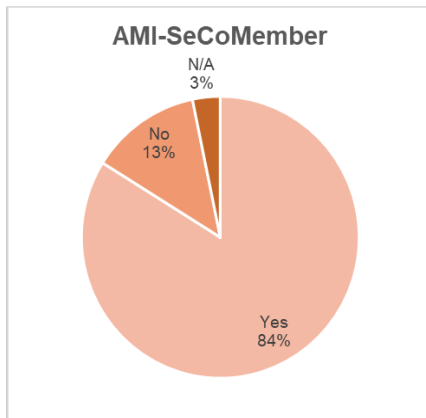
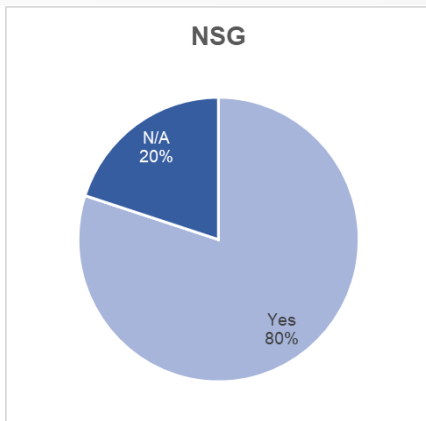


- **Almost all of the respondents agree with the identified challenges<sup>2</sup>.**
- Additional suggestions were mainly related to market and regulatory development. Further, the international evolution of the financial market infrastructures (e.g. the US intention to move to a T+1 settlement regime) is seen as coming up.

**Broad agreement among respondents with the foreseen challenges, no immediate need for updates.**

<sup>2</sup> There are potential and known future changes in the external environment that should / could also be taken into account when reviewing the functioning of the AMI-SeCo, such as the onboarding of new markets to T2S, the further development of TARGET services (T2-T2S consolidation, ECMS), further regulatory / public authority actions relevant for post-trade markets (CMU action plan, DLT pilot regime, etc.), potential changes in market structure (Brexit, ESG issuance, NGEU) and technological innovation in post-trade (DLT-based services and infrastructures).

# Annex A: Vision

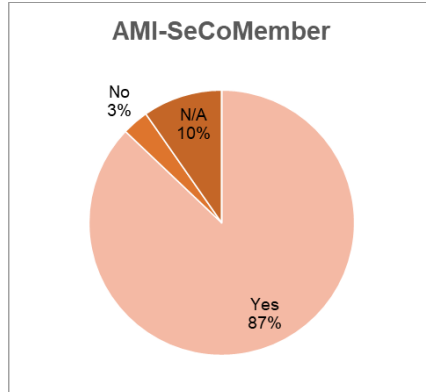
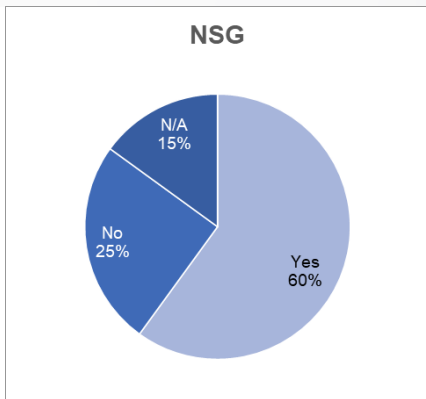


- A large majority agree with the current formulation of the vision<sup>3</sup>.
- The focus of the vision should be kept high-level, i.e. rather look at broader areas than concrete topics. In addition, as T2S is becoming a multi-currency platform, some respondents disagree that *‘foster a single pool of EUR liquidity based on CeBM settlement’* should be part of the vision.

Broad agreement on the formulation of the vision and to keep it high-level. However, there were no strong views expressed as to the concrete need for a formalisation of a vision.

<sup>3</sup>The AMI-SeCo strives for single rulebooks and standards for securities post-trade services (e.g. corporate events, tri-party services, etc.) by involving all stakeholders to promote European financial integration and to foster a single pool of EUR liquidity based on CeBM settlement for all users and intermediaries of wholesale financial services in Europe.

# Annex B: Working procedures



- **The support for introducing annual work programmes is high, in particular among the AMI-SeCo members.**
- Annual work programmes (AWPs) could add value at substructure level, for example they could help in:
  - Ensuring a structured workflow that allows for efficient and in-depth discussion where needed
  - Having more systematic meeting planning
  - Timely sharing of agendas and documents
  - Having more time for members to react or provide input
- But AWPs are generally seen as less efficient on plenary level, if the current structure of two AMI-SeCo meetings per year is kept.
- Introducing AWPs should not decrease the flexibility of the work conducted.

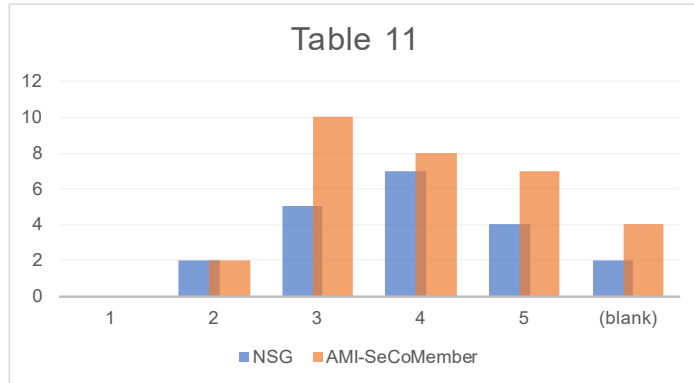
# Annex B: Working procedures

For AMI-SeCo (both AMI-SeCo and AMI-SeCo T2S composition) if the current structure of two meetings per year is kept, there will be limited value added from introducing annual work programmes. A potential alternative/middle-way could be to **construct a high-level timeline with foreseen timespan for standing deliverables in the coming year.**

There is support for **introducing annual work programmes** on sub-structure level, but the concern for decreased flexibility is valid. Taking this into account, each sub-structure should be allowed to organise their work as they see fit e.g. in the introduction of annual work programmes.

# Annex C: National Stakeholder Groups (NSGs)

Communication between NSGs and the AMI-SeCo



Average	
NSG	3.72
AMI-SeCo member	3.74
<b>All</b>	<b>3.73</b>

- **Overall communication is working well, but there is a need seen for more clarity and engagement with NSGs, including more discussions with NSGs.**
- Ensure that NSGs currently not represented in the AMI-SeCo meetings still can receive good information in line with the proposed meeting compositions.
- The organisation of NSGs looks very different in some markets and it is important that all markets use a proper approach in informing and debating key issues with their stakeholders.

# Annex C: National Stakeholder Groups (NSGs)

National Stakeholder Groups (NSGs) represent the link between the discussions at European level and the national communities and are key to the functioning of the AMI-SeCo. There is good potential for improved organisation in how we work with NSGs, for example:

- More transparency towards NSGs in AMI-SeCo related communication, e.g. by adding all NSG secretaries to the **AMI-SeCo mailing** list for information exchange and to give them access to view AMI-SeCo documents in **ASTRA**.
- Give the NSGs more prominence in the AMI-SeCo related external communication, e.g. by collecting and updating **links to local NSG pages on the ECB external website**.
- Encourage NSGs to **include all relevant stakeholders at local level** – e.g. inclusion of major issuers / issuer associations is key to bring them closer to harmonisation work.
- The old **T2S NUG mandates no longer apply** and should be replaced by a set of principles / best practices offered to NSGs as recommendations.