

Post Trade Securities Topics in current Initiatives and/or upcoming Regulations

(Swiss SPTC working paper; Status March 2018)

Initiative, Regulation, Topic	Short description of potential PT Impact and/or PT Topics	Activities/Involvement of the Securities Industry respectively of SPTC members	
<p>I CAJWG (Corporate Actions Joint Working Group) -E-MIG -T2S CASG Standards</p> <p><i>Corporate Actions Processing Standards: Is dealing with Barrier 3 referring to national differences, the operational problems that are characterised by the variety of rules in the cross-border environment. CAJWG standards are a set of Europe-wide agreed best practices and is based on a private sector initiative.</i></p>	<p>European Best Market Practices on Corporate Actions Processing ->T2S Requirements based on CAJWG Standards ->Annual compliance reviews in all European markets (incl. CH) on the CAJWG level and separately also on T2S CASG standards level</p> <p>->Link to CAJWG Standards: http://www.afme.eu/globalassets/downloads/briefing-notes/afme-cajwg-standards-revised-version-2012-updated-2015.pdf</p> <p>As per CAJWG meeting and E-MIG Meeting in 2017: ->European major markets to be fully compliant with the standards by 2018 ->the last bit to the top of the mountain is the most difficult ->building blocks of uniform interpretation ->indispensable to put Market Standards for Corporate Actions Processing and their implementation in the context of regulatory initiatives (EPTF/CMU, SRD II, MiFID II and T2S) to intensify communication ->crucial to build credibility in the context of new regulation</p>	<p>2017/10</p> <p>2017/10</p> <p>2018/02</p>	<p><i>Update after SPTC meeting 40: - E-MIG Meeting planned for 8th November 2017 (incl. preceding CAJWG market reports; CCC will send in the name of swissSPTC and CAEG the 2016 report as there are no changes (compliant on all CAJWG Standards except on two standards (-> tender offers, not in line with Swiss Übernahmegesetz)</i></p> <p>20 October, CAJWG Meeting: Main topics</p> <ul style="list-style-type: none"> - EPTF Report with CA- and GM-processes identified as Barrier no 1 with high priority in the EU Commission consultation "dismantling barriers and strategy for the future" - EU Commission's Expert Group on SRD Level 2 for SRD Art 3a-3c (3 CAJWG members); -> first draft expected Q1 2018 - Agreement on CA standards requiring further fine tuning - Discussion on synergies on CASG and CAJWG compliance monitoring-> proposal to take over both reports via E.-MIG - Next meeting Jan 2018 -> draft proposal on merger <p>E-MIG Meeting 8 Nov on European Compliance Reports -CAJWG Meeting: Among various specific CA fine tuning issues, the T2S CMH requirements towards CA standards and the synergies of merging the E-MIG and CASG Reporting has been discussed. Agreement between CAJWG/E-MIG and T2S-HSG&CASG still outstanding. Next step T2S HSG meeting in May to review proposal. Impact on swissSPTC as MIG: official change is planned for in 2019; pilot in autumn 2018 for E-MIG to carry out survey also for CASG is planned. -T2S Collateral Management Harmonisation TF request – see SPTC 42, agenda point 11; or liaise with Swiss NSG members</p>
<p>R CCP Resolution & Recovery</p>	<p>EU Commission proposal: Clearing process (-> influence, amendments, new requirements for normal and/or crisis mode)</p>	<p>2017/09</p> <p>2017/12</p> <p>2018/03</p>	<p>SPTC 40: See Regulatory Update, agenda point 6 SPTC 41: See Regulatory Update, agenda point 5 SPTC 42: See Regulatory Update: Meeting minutes agenda point 3</p>

R	<p>CMU (Capital Markets Union)</p> <p>Primary focus on SME's financing models (growth of European markets)</p> <p>-> EPTF (European Post Trade Forum): Advisory committee of the EU Commission; mandate for PT topics until 2018)</p> <p><i>Discussing the next steps to Growth in Europe: EU Commission has outlined a plan to promote and develop the EU market, particular focus on SME financing, long term investments, securitisation markets and approach on EU insolvency laws. EPTF has been set up to deliver a report on existing barriers and how those could be overcome.</i></p>	<p>Harmonisation activities across Europe are receiving renewed momentum in the context of EU Commission; CMU's action plan (based on EPTF's analysis):</p> <ul style="list-style-type: none"> (I) review the remaining, or any new barriers to integrated post-trade environment in the EU; (II) provide technical advice to the Commission on follow-up actions. <p>Harmonisation initiatives cover a number of issues that are currently under post-trade and financial integration of EU public authorities and private post-trade market actors.</p> <p>European Commission published on 23 August 2017 the report by the EPTF with a consultation on how to improve post-trade services used in financial transactions. The 406-page report addresses barriers and proposals in four areas: operational, structural, legal and taxation. <u>Click here for the full report.</u> <u>Click here for the consultation.</u></p> <p>Topics of the report with PT impact, e.g.:</p> <ul style="list-style-type: none"> ➢ Asset Segregation ➢ Harmonisation of Registration Process ➢ Harmonisation of Withholding Tax Procedures ➢ ISO 20022 messages in securities processes (-> within 5 years) ➢ Ownership rights in a dematerialised environment <p>Final EPTF Report is structured:</p> <ul style="list-style-type: none"> - 3 operational barriers - 4 structural barriers - 4 legal barriers - 1 tax barrier - and 5 barriers on watch list with lower priority <p>EU-Commission: Expected feedback/outcome on EPTF Consultation Q1 2018 (...if there is any)</p>	<p>2017/09</p> <p>2017/12</p> <p>2018/03</p>	<p>-In May EPTF delivered final Report to EU-Commission -EPTF as Advisory Group has been closed -EU Commission has started official consultation of EPTF Report on 23 August with several questions (report sent to swissSPTC members, deadline to answer is on 15 November) -ECSDA: Workshop in October to agree on feedback as a CSD community (not yet sure whether ECSDA will answer on all questions) - SCFS FK Securities: Expectation from swissSPTC (What? Until when? Reporting possibilities?) -> very important consultation, as it will influence how EU-Commission will be defining (..or not) the PT area for the next 5-10 Years. -AFME: P. Gnepf – internal working group with the objective to dismantle the 13 barriers in short term; European Issuers/J. Beglinger: it is also on their agenda, but no news yet; <u>-Conclusion swissSPTC:</u> (i) ISO20022 will be handled autonomous within FK Securities, secondly the proposal will be agreed in SPTC (Conf Call if possible?); (ii) generally whenever there are news from the associations they will forwarded as update information to SPTC members</p> <p>EU-Consultation on 12 EPTF Barriers (closed 15 Nov)</p> <ul style="list-style-type: none"> - AFME & EBF overall in agreement with proposed barriers to be dismantled (no specific swiss feedback on ISO 2022 has been taken in) ->overall comment in the industry is "in agreement", but also a relatively small number of responses that have been sent - ECSDA primarily answered on issues that are relevant for CSDs; ISO20022 Swiss market input has been discussed, but no common agreement reached to take it fully into the report <p>- EC Communication on EPTF consultation planned for Q2/Q3 2018 - WHT Code of Conduct: EC publication in December 2017 on guidelines for quicker and more efficient processing of reclaims; is based on voluntary action; PT operational tax issues are "not really" tackled: -> EC representative agreed to informally check the openness among EC tax experts to receiving an input from HSG; AFME and EBF to support AMI-SeCo HSG by analysing concrete issues.(-> next update on 30 May HSG meeting) - on ISO 20022 see SPTC 42 Meeting minutes agenda point 5 and 8</p>
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R	<p>CSDR (Central Securities Depository Regulation)</p> <p><i>Regulation of CSDs as systemically important market infrastructures</i></p> <p>Nov 2016: CSDR level 2 standards are considered to be final on 11 Feb 2017 and enter into force Feb or Mar 2017 (except fail settlement and buy-ins)</p>	<p>Impact on CSDs and CSD participants Europe vs. Swiss/national regulation -> GAPS? Third Country Equivalence Authorisation of (third country) CSDs Asset Segregation Rules (omnibus vs. segregation) Mandatory fail penalties/buy-ins Transparency of internal transactions (internalisation)</p> <p>CSDR Level 2 legal acts + Q&A CSDR: LINK: https://www.esma.europa.eu/press-news/esma-news/esma-publishes-first-set-csdr-qas</p> <p>Timeline CSDR: 17.09.14: Entry into force of CSDR 31.03.17: Entry into force of RTS (except SD Art 5 – 8) 30.09.17: Deadline application for SIX SIS and for EU CSDs</p> <p>CSDR Art 6 & 7 are subject to ESMA Technical Standards (RTS) -> Draft RTS have been issued in Feb 2016 but are still to be adopted by EU Commission ...they are said to be planned for Q1 2018 ...+ 3 to 6 months for non-objection of EU legislators before formal publication -> Draft RTS foresee a deferred implementation of 24 months following the day of their publication in the official Journal of the EU.</p> <p>CSDR Settlement Regime – SDR aim to increase settlement efficiency and harmonise Settlement Discipline (SD) measures across the EU through 4 key steps:</p> <ul style="list-style-type: none"> - Prevent settlement fails (trade allocation, confirmation process; automation/limitation of manual interventions; mandatory matching fields; settlement functionalities: hold & release, partial settlement etc.) - Monitor & report (monitor & analyse settlement fails and individual CSD participant's settlement efficiency etc.) - Cash penalties (for matched settlements failing to settle on Intended Settlement Date (ISD); daily calculation with at least monthly collection, distribution & reporting of penalties to participants) - Buy-in (Mandatory buy-in after a specific period of time after ISD; CSD role limited to information gathering/reporting as buy-in process shall be managed at trading party level) 	<p>2017/07</p> <p>2017/09</p> <p>2017/12</p> <p>2018/03</p>	<p>ESMA published guidelines to national Authorities on CSDR Art 17&23 ESMA Consultation on guidelines for internalized Settlement Reporting under CSDR Art 9</p> <p>-Final Settlement Discipline Regulatory Technical Standards still outstanding (T2S Task Force in close co-operation with ESMA) - 30 Sep 2017 is deadline for EU CSDs to send the applications to ESMA under CSDR (official time for ESMA to respond is 6 months) -30 Sep also SIX SIS will send the application for equivalence under CSDR (official time for ESMA to respond is 6 months); deadline is important for grandfathering period -> This is not a 1:1 comparison of CSDR articles with FinfraG: ESMA and FINMA will have to agree on the overall equivalence of Swiss- and EU-Regulation - P. Hubli mentioned that he is in favor of a "full taking over the CSDR" to get/reach a kind of a "CSDR Standard" in the industry; - P. Gnepf: for AFME and UBS the internalized settlement reporting is also an important topic and this requirement should be kept as simple as possible -For the Issuers the CSDR is on the watch list - no further news/concerns from this side Specific timeline on CSDR & SIX SIS application see SPTC 41 agenda point 5 (Slides 13, 14)</p> <p>->T2S TF was created in March 2016 aiming to translate RTS legal text into T2S operational terms (e.g. T2S penalty mechanism -> cost assessment for CR is running and implementation planned for late 2019)</p> <p>-> Dec 2017: ECSDA WG (with SIX representation) took the ownership for creation of the European Settlement Discipline Rulebook for a harmonised approach by all CSDs, settling in- or outside T2S (...task goes beyond the T2S scope) ->first meeting of WG: 15.12.2017 Plan: ->End Jan 18 1st Draft -> End Feb 18 2nd Draft -> Mar 18 Doc shared outside ECSDA ->Jun 2018 Final Rulebook approval by ECSDA Board and non-ECSDA CSDs</p> <p>No further News: -planned finalisation settlement discipline by Q2 2018; entry into force 2-3 months after publication; 24 months for implementation in national law of member states (-> plan Sep 2020) -ECSDA working group plan: There seems to be a delay (->nothing shared outside ECSDA yet) -ESMA plan: intends to issue guidelines on reporting settlement fails and to organize a workshop in May for penalty mechanism (with T2S CSDR TF and ECSDA) and for outstanding issues on which ESMA has been consulted. -Impact on CH: Potential discussion on certain voluntary/operational adaptations?!</p>
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<p>I</p> <p>FATF (Financial Action Task Force)</p> <p><i>Intergovernmental organisation to develop policies to combat money laundering and terrorism financing. The recommendations are usually transposed into local laws like Anti-Money Laundering Directive in Europe and/or Swiss regulation</i></p> <p>->Global Forum on Transparency and Exchange of Information for Tax Purposes</p>	<p>Paying Agency Function: additional disclosure requirements of certain shareholders Adaptation of Dividend Process of "non book-entries" and/or physical coupon/dividend claim by beneficial owners</p> <p>Global Forum recommendations are similar/partly in line with FATF recommendations</p>	<p>2016/12</p> <p>2017/09 2017/12 2018/01</p> <p>2018/03</p>	<p>SwissBanking informed about a new assessment, Plenary meeting in Oct with publication of report in Nov/Dec 2016; new requirements expected 2018 For PT area no news No news/input from infrastructure side Federal Council launched a consultation on 17 Jan -24 Apr 2018 in the context of the Global Forum recommendations. A legal draft is proposing the conversion of bearer shares into registered shares. Link:https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-69518.html Federal Council consultation on Global Forum: Legal & operational issue, see SPTC 42 meeting minutes agenda point 11.4</p>
<p>FinfraG (&CSDR)</p>	<p>General uncertainty on the implementation of FinfraG Art 73 Segregation of assets/account structure Scope/area of application Parallelism to CSDR Art 38 Definition of indirect participants</p> <p>->has been solved in Q4 2017 with the publication of SwissBanking's Working Group paper on FinfraG Art 73 and CSDR Art 38</p>	<p>2017/03</p> <p>2017/06</p> <p>2017/09</p> <p>2017/12</p> <p>2018/03</p>	<p>SIX SIS answer on CITI clarification request after FINMA's statements -> content shared with Swiss SPTC in Meeting 38</p> <p>-Expectation FMI authorization/license from FINMA in Q4 2017 -Banks are struggling in terms of the "requested" account structure at SIX SIS ->uncertainty: ->how many clients will ask for segregation ->costs & price transparency, level of protection with different account structures (-> need for agreed/harmonized legal rationale) -> transition period for CSD members? Fact is, SIX SIS is ready and banks do not have to wait with a/c structure setup until FMI authorization</p> <p>- Still confident that SIX SIS will get the FMI license very soon. - Working Group of SwissBanking will very soon publish a disclosure document on FinfraG Art 73(4) an CSDR Art 38(6) on levels of protection associated with the different levels of segregation in respect of securities held in the accounts. AG FinfraG: Draft will be translated in additional languages and published from SwissBanking; there will no indications about cost transparency as this is different from bank to bank and a commercial issue as well in case of different setups/flat fee arrangements in the custody area. SIX Exchange got FMI license in Nov 2017; SIX x-clear FMI license expected in Q1/Q2 2018; SIX SIS got FMI license in Sep 2017 -> with subsequent equivalence request to ESMA on CSDR SIX x-clear FMI license confirmed SIX SIS equivalence request to ESMA on CSDR – no news yet See also SPTC 42 meeting minutes and attachment on Regulatory Developments</p>

I	Fintech, DLT (Distributed Ledger Technology), a.o.	Target: Observe and remain involved in discussions of the various associations to timely recognize and contribute to PT developments	2017/09 2017/12 2018/03	- See DLT Agenda point 9 of swissSPTC 40 - Please note that the EU Commission Consultation on EPTF includes several questions on future (DLT) Technology. -AFME and EBF work in internal DLT working groups Awareness is created that DLT and new technologies are an important part in the EU Commission consultation on EPTF – will be interesting to see the EU commissions conclusion on the industry feedback. ->Various actions/forums in-/outside Switzerland and EU ->EU Commission consultation on EPTF report had several questions on the FINTECH and DLT ->New <i>Fintech Task Force</i> put in place at ECB/T2S on the level of the Harmonisation Steering Group (HSG) ECB/T2S Fintech TF: Plan for 2018 agreed (with need to observe the EC Fintech Action Plan to be published soon) See also SPTC meeting 42 agenda point 11.3
R	FMI Resolution and Recovery	Settlement process (-> influence, amendments, new requirements for normal and/or crisis mode)	2017/09 2017/12 2018/03	See SPTC 40 agenda point 6 See SPTC 41 agenda point 5 See SPTC 42 meeting minutes agenda point 3
	FTT (Financial Transaction Tax)	PT topics (Tax issue with potential processing issues; service issue)	2017/03 2017/06 2017/09 2017/12 2018/03	PT n.a. See SPTC 39 minutes, agenda point 6 See SPTC 40 agenda point 6 No input from infrastructure side No further Input from infrastructure side nor from banks

I	<p>ISSA (International Securities Services Association)</p> <p><i>Globally oriented Post-Trade Association</i></p>	<p><u>ISSA Financial Crime Principles:</u> http://www.issanet.org/pdf/2015_08_27_ISSA_Financial_Crime_Compliance_Principles_final.pdf</p> <p>ISSA Inherent Risks within the Global Custody Chain (1992 -> update 2016) Enhanced KYC and KYCP and due diligence requirements Enhanced controls of Omnibus a/c setups</p> <p><u>General Meeting Proxy Voting on DLT:</u> https://issanet.org/e/pdf/2017-11_General_Meeting_Proxy_Voting_on_Distributed_Ledger_v2-1.pdf https://issanet.org/e/pdf/MDR_Part3_ProxyVoting_Maintenance_2014_2015_DLT_aligned.xlsx</p>	<p>2015/08</p> <p>2016/11</p> <p>2017/03</p> <p>2017/06</p> <p>2017/09</p> <p>2017/12</p> <p>2018/03</p>	<p>ISSA: Financial Crime Compliance Principles for Securities Custody and Settlement (Guidance for implementation to follow Q4 16/Q1 17)</p> <p>ISSA: Consultation and review process to update the ISSA report</p> <p>Timeline in terms of <i>ISSA Financial Crime Principles</i> in discussion still to be agreed (Operating Committee (OC) meeting on 23.03.17)</p> <p>-> agreed in meeting 38 to invite ISSA for a presentation at the next swissSPTC meeting</p> <p>SPTC 39: Rita Mason gave an insight on ISSA FCP (slides are made available to members)</p> <p>- See SPTC 40 agenda point 9</p> <p>No input from infrastructure side</p> <p>Standing working groups:</p> <ul style="list-style-type: none"> • CA and Proxy Voting • DLT – Principles for Industry-wide Acceptance • Financial Crime Compliance Principles • Regulatory Impact on the Securities Services Chain • Customer Cyber (Fraud) Risks in Securities Services <p>ISSA Symposium will be held in Zurich (23-25 May 2018) with the release of several reports from above working groups.</p>
R	<p>SFTR Securities Financing Transaction Regulation</p> <p><i>Regulation to increase transparency in the securities financing industry by mandatory reporting and revision of certain contracts</i></p>	<p>Enhanced KYC and KYCP requirements (settlement data fields) Enhanced reporting / disclosure requirements</p>	<p>2016/10</p> <p>2017/09</p> <p>2017/12</p> <p>2018/03</p>	<p>ESMA Consultation on SFTR level II technical standards; ECSDA responded where it refers to CSDs Section 4.3.8 (p114-117) about settlement fields relating to SFTs</p> <p>PT n.a.</p> <p>No Input from infrastructure side</p> <p>No input from PT infrastructure side nor from banks</p>

R	<p>SRD Shareholder Rights Directive</p> <p><i>EU measure prioritizing rights of shareholders to company information</i></p>	<p>Duties for intermediaries towards shareholders: New requirements on the information flow (from issuer via intermediaries to shareholders and vice versa) Legalisation of CAJWG Standards (->Level 2) Legalisation of GMJWG Standards (-> Level 2) Enhancements/Adaptation of GM Standards? Third Country Equivalence New disclosure requirements (e.g. shareholder identification; fees around shareholder identification)</p> <p>Expert group on technical aspects of corporate governance processes: <i>Link to documentation (Agenda, meetings, consultations etc.):</i> http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3545</p> <p>Expert Group to advise the EU Commission on the implementing acts of the revised SRD2 -Art 3a: Right for companies to identify their shareholders -Art 3b: Obligation to transmit information from companies to intermediaries and/or shareholders and back -Art 3c. Obligation to facilitate the exercise of shareholders rights to adopted by Sep 2018</p> <p>->First Draft expected end Q1 2018</p>	<p>2017/09</p> <p>2017/10</p> <p>2017/12</p> <p>2018/03</p>	<p>Action Point: Candidate from SIX SIS has sent an Expert Group application, but has not been accepted (->as per our knowledge no third country has a seat in the expert group) -No information from ECSDA or Issuers yet (->depending from Expert Group);</p> <p><i>Update after SPTC meeting: First meeting of the Expert Group was on 19 Sep; summary of the first meeting: There appears to be an agreement on the need to improve the current state of play; binding regulation is needed to bring improvement. Many solutions can be leveraged from the current market standards, although certain elements have not been addressed.</i></p> <p><i>Next meetings on 23 Oct. and 20 Nov.(-> above link in the middle column of this SRD table).</i></p> <p>Background: Number of activities that are going on: -EU Comm Expert Group -Eurosysteem Collateral Management Services ->looking on CA Processing and CA harmonisation in T2S -CAJWG further definition and harmonised monitoring with CASG</p> <p>Four work streams have been installed</p> <ol style="list-style-type: none"> 1- Communications from the issuer, including meeting notice, list of agenda items 2- Entitlement, notice of participation and voting confirmation 3- Identification of shareholders 4- Financial corporate Actions <p>->Meeting on 13 Dec specific contents to the above work streams have been discussed/proposed</p> <p><i>-No detailed information available, but EC clearly stated that the Expert Group is making a proposal for the implementing act, but EC keeps the pen. Regulation cannot refer to Standards, thus the expert group is working on background information to the implementing act. Public consultation expected in Apr on implementing acts, 10 Sep 2018 target date for publication, Sep 2020 implementation by member states and entering into force.</i></p> <p><i>-impact CH not yet clear, discussion will be launched on cross-border and national level.</i></p> <p><i>As per Swiss Holdings representatives they are pushing in the same direction for same rights etc. like the EU.</i></p> <p><i>Addendum after SPTC 42:</i> <i>Link to industry answers of April consultation:</i> http://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-1944240_en</p>
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ANNEX

Acronyms

AFME	Association for Financial Markets in Europe
AIFMD	Alternative Investment Fund Managers Directive
BEG	Bucheffektengesetz
CAJWG	Corporate Actions Joint Working Group
CASG	Corporate Actions Sub-Group (ECB level ->Sub-Group of T2S Advisory Group; T2S-CASG)
CCP	Central Counterparty
CMU	Capital Markets Union
CSDR	Central Securities Depository Regulation
DLT	Distributed Ledger Technology
EACH	European Association of Clearing Houses
EBA	European Banking Authority
EBF	European Banking Federation
ECB	European Central Bank
ECSDA	European Central Securities Depositories Association
EP	European Parliament
EPTF	European Post Trade Forum
ESMA	European Securities and Markets Authority
E-MIG	European Market Implementation Group
FATF	Financial Action Task Force
FESE	Federation of European Securities Exchanges
FMI	Financial Market Infrastructure
FTT	Financial Transaction Tax
GMJWG	General Meetings Joint Working Group
GwG	Geldwäschereigesetz
HSG	Harmonisation Steering Group (ECB level ->Sub-Group of T2S Advisory Group)
ICMA	International Capital Market Association
ISSA	International Securities Services Association
KYC / KYCP	Know Your Customer / Counter Party
PT	Post Trade

T2S	Target2-Securities
SFTR	Securities Financing Transaction Regulation
SKSF	Schweizerische Kommission für Standardisierungen im Finanzbereich
SLL	Securities Law Legislation
SME	Small and medium-sized Enterprises
SRD	Shareholder Rights Directive
UCITS	Undertakings for Collective Investment in Transferable Securities
