

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

(Swiss SPTC working paper; Status September 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>2018/02</p> <p>2018/06</p> <p>2018/09</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 E-MIG Meeting 8 Nov on European Compliance Reports <p>-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.</p> <p>-T2S Collateral Management Harmonisation TF request – see SPTC 42, agenda point 11; or liaise with Swiss NSG members</p> <p>Swiss market gap analysis survey on compliance with the T2S Corporate Actions) standards for 2018; delivered end April 2018</p> <p>No CAJWG Meetings, no changes -> Discussion ongoing, ECB will be invited for next E-MIG Meeting in autumn 2018.</p> <p>CAJWG Meeting 27 Sep; combined survey for CASG & CAJWG Standards in autumn 2018 (-> negative decision)</p> <p>->E-MIG Report Nov 2018 based CAJWG Standards (127/129 standards compliance for Swiss market)</p> <p>->ECMS Impact (new/additional CA Standards):still tbd</p>
<p>R CCP Resolution & Recovery</p>	<p>EU Commission proposal on Clearing process (-> influence, amendments, new requirements for normal and/or crisis mode)</p>	<p>2018/06</p> <p>2018/09</p>	<p>SPTC 43: See Regulatory Update: Meeting agenda point 5</p> <p>SPTC 44: See Regulatory Update: News if any, under 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>2018/03</p> <p>2018/06</p> <p>2018/09</p>	<p>Q2/Q3 2018</p> <p>- 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)</p> <p>- on ISO 20022 see SPTC 42 Meeting minutes agenda point 5 and 8</p> <p>- Follow-up to EPTF report – EC Communication still expected in second half of 2018</p> <p>- in the context of ISO 20022 see also feedback from SKSF – swissSPTC Meeting 43 agenda point 6</p> <p>- in the context of Withholding Tax procedures: AMI-SeCo sent (18 June 2018) a letter to EC and suggested some promising areas for harmonisation of tax procedures. AMI-SeCo considers harmonisation of tax procedures as a high and urgent activity in the context of CMU. The code of conduct initiated by the EC should be followed by more detailed work. E.g.:</p> <ul style="list-style-type: none"> • Harmonized approach for the identification of taxpayers (LEI, eIDAS ->elektr. Signaturverordnung) • Harmonisation in the process of certification of residence for tax (standardized documentation requirements, common certificate a.o.) • Record date principle, that tax processing is based on record date positions (incl. review of ex/cum indicators) • More generally, a set of harmonized principles for tax processing along T-BAG (TAX Barriers Business Advisory Group) recommendations made in 2013 <p>- EC thanked AMI-SeCo for letter in June for discussion on tax harmonisation areas.</p> <p>- No news neither from EU-Commission (summer break!) nor from SWIFT ISO 20022 survey; Feedback on both expected Q4 2018.</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>2017/12</p> <p>2018/03</p> <p>2018/06</p> <p>2019/09</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> <p>- no news yet from CSDs on the CSDR applications, same for SIX on the equivalence process (CSDs in the process of delivering additional information to ESMA) - EC adopted the SD RTS in May 2018; EP and Council have 3-6 months to object, afterwards 2 years phase-in period starts (-> earliest Nov 2020) - ESMA expects to receive very soon the ECSDA single settlement fails penalties framework to discuss this with the national competent authorities (ECSDA completed internal consultation; consultation round goes to external stakeholders: ECB, ESMA, EC, National Competent Authorities, relevant industry associations and other stakeholders)</p> <p>- September 13, 2018: Final Regulatory Technical Standards (RTS) on Settlement Discipline published in <i>the Official Journal of the EU</i>. Enter into force on September 14, 2020, after a phase-in period of 24 months! - October 10, 2018: CSDR buy-in Industry Meeting organized by AFME (-> discuss market practice document -> gaps in proposed principles; parties/associations to take responsibility as follow-up after ESMA Workshop 5th June; next steps to achieve a workable process for implementation); market practice document are available. R. Storm (SIX x-clear) will participate from infrastructure side. - authorization under CSDR granted for OEKB CSD (AT), CDAD (BG), VP Securities (DK), Nasdaq CSD SE (LV), Interbolsa (PT) – for all the other EU and third country CSDs no further news.</p>
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I	<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>2017/12 2018/01</p> <p>2018/03</p> <p>2018/06</p> <p>2018/09</p>	<p>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</p> <p>Federal Council consultation on Global Forum: Legal & operational issue, see SPTC 42 meeting minutes</p> <p>Global Forum recommendations and Consultation: Follow-up from Federal Council (Vernehmlassungsbericht) expected not before Oct 2018, thus the "Botschaft/explanatory report" might not be ready for the Winter Session 2018 and could follow in the Spring Session.</p> <p>No further News on above. No further Input from infrastructure side and/or from others in the meeting.</p>
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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	2017/12 2018/03 2018/06 2018/09	->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 ECB/T2S: Continues work and plans to finalise the existing use cases by July 2018. (Chairman proposal to SPTC Forum: Invite SIX T2S Fintech TF member for an update at the next SPTC Meeting 44). Agreement in the forum! See SPTC 44 meeting minutes agenda point 6 – presentation of T2S Fintech member
R	FMI Resolution and Recovery	Settlement process (-> influence, amendments, new requirements for normal and/or crisis mode)	2018/03 2018/06 2018/09	See SPTC 42 meeting minutes agenda point 3 See SPTC 43 meeting minutes agenda point 3 See SPTC 44 news if any, under meeting minutes agenda point 3
	FTT (Financial Transaction Tax)	PT topics (Tax issue with potential processing issues; service issue)	2017/09 2017/12 2018/03 2018/06 2018/09	See SPTC 40 agenda point 6 No input from infrastructure side No further Input from infrastructure side nor from banks See SPTC 43 meeting minutes, agenda point 7.5 Input SwissBanking Liaison Taxes on „Italian FTT“: <ul style="list-style-type: none"> On 24 August 2018 the Federal Council authorised UBS (as pilot bank) under StGB Art 271. SwissBanking supported UBS in their application. SwissBanking will make available the draft application to its members that they can apply for authorisation to collect I-FTT and transfer it to the tax office.

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>2017/06</p> <p>2017/09 2017/12 2018/03</p> <p>2018/06</p> <p>2018/09</p>	<p>SPTC 39: Rita Mason gave an insight on ISSA FCP (slides are made available to members) - See SPTC 40 agenda point 9 No input from infrastructure side 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. ISSA: Focus Cyber Security, DLT, FCCP (Financial Crime Compliance Principles). The last DLT Report has its focus on Compliance and IT Security https://www.issanet.org/e/pdf/2018-06_Special_NL_DLT_Principles.pdf CS - O. Métral suggests to re-open the report of the CSD WG "General Meeting Proxy Voting on Distributed Ledger" and align it with the „Shareholder Rights Directive II“. SIX - U. Sauer will take up the issue with ISSA. No news from ISSA, but number of participants of WG General Meetings Proxy Voting on DLT is growing. -> Will have to liaise with the Swiss SRD II Working Group, once put in place end Oct/begin Nov 2018</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 2017/12 2018/03 2018/06 2018/09</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 PT n.a. No Input from infrastructure side No input from PT infrastructure side nor from banks No input from SPTC Forum No input from SPTC Forum</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>2018/03</p> <p>2018/06</p> <p>2018/09</p>	<p>-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. <i>Regulation cannot refer to Standards, thus the expert group is working on background information to the implementing act.</i> 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. -impact CH not yet clear, discussion will be launched on cross-border and national level. As per Swiss Holdings representatives they are pushing in the same direction for same rights etc. like the EU.</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> <ul style="list-style-type: none"> - Focus topic swissSPTC Meeting 43; see agenda point 10 - ECSDA, AFME; EBF: are <i>drafting</i> a letter to the EC ("golden record", an issue on standardized announcements on CA and GM announcements, which is currently missing in the draft regulation of SRD Level II) <p><i>See also note under ISSA (align SRD II with CSD WG Report "General Meeting Proxy Voting on Distributed Ledger")</i></p> <p>- Implementation of SRD II (excl. Art 3) until 10 Jun 2019. Shareholder Rights Implementing Regulation (IR) was adopted by the College of the European Commission on Monday 3 Sep 2018 and can be found here</p> <p>- IR incl. Art 3 to be implemented in national regulation 24 months after publication (-> 4 Sep 2020)</p> <p>- Activity in Swiss market, see SPTC 44 minutes agenda point 7 (<i>some slides available from ad hoc meeting of the Corporate Actions Expert Group held on 19 Sep 2018</i>)</p> <p>-> Decision to mandate a working group for the Swiss market; a sub-group of swissSPTC will prepare the mandate.</p>
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R	<p>Swiss Regulation Federal Department of Finance in co-operation with FINMA are analyzing/preparing a consultation on <i>Segregation of proprietary and client assets of intermediated securities</i> Target is to close a legislative gap in the intermediary chain at least for the Swiss market and the first cross-border custodian/intermediary outside of Switzerland. Whether this will be an amendment in the Intermediated Securities Act or elsewhere is not yet defined.</p>	<p>As per the Federal Council's request the draft consultation should be ready by end of November.</p>	<p>2017/09 2017/12 2018/03 2018/06 2018/09</p>	<p>August 2017: FINMA pre-consultation on a draft consultation paper; - the principle of the CH approach is in line with the ESMA opinion on segregation of July 2017 on AIFMD & UCITS; - the CH approach is in line with current "trends" in the EU, nevertheless no such equivalent legislation in the EU is in place yet.</p> <p>No news yet from infrastructure on the expected consultation No official news yet from infrastructure or bank's side on the expected consultation.</p> <p>No specific News from SPTC Forum, but current EC Proposal on AIFMD/UCITS might support the outstanding/expected consultation in the Swiss market on segregation of Proprietary and Client assets in terms of book entries.</p> <p>As per SwissBanking the above mentioned revision in the area of segregation seems to come on the agenda again in Nov 2018.</p> <p>J.Beglinger: „Aktienrechtsreform“ is not directly a topic of/in this Forum, except the bearer shares in the context of the GwG (Geldwäschereigesetz). Update will follow at the next swissSPTC meeting.</p>
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black = old input;

green = input since last Swiss SPTC Meeting for the current meeting;

red = current SPTC meeting input

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
EC	European Commission
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