



EUROPEAN CENTRAL BANK

EUROSYSTEM

Fintech-TF reporting

Agenda item 3.1.
joint meeting of AMIs

4/12/2019



Chiara Rossetti (Chairperson)
Rainer Olt (Rapporteur)

Agenda

- **Starting work in the new composition** of the Fintech-TF
- **Mapping exercise** of Fintech initiatives in the area of securities issuance and post-trade → *deliverable A*
- **Progress towards a report** on “Issuance and post-trade of securities in a DLT environment” → *deliverable B*

Increased number of members → review of the modus operandi

- Altogether **35 experts** from **33 institutions**
 - additional industry associations (ECSDA and EACH)
 - academia and finetchs (Frankfurt School and LiquidShare)

- **Activating market-led cooperation**

- TF members hold the pen
- sub-groups for analysis & drafting
- appointed TF members lead & coordinate work



Deliverable A: summary of the mapping exercise (1)

- **Shift towards more transparent governance and allocation of functions**

[Fintech-TF action] → continue monitoring

- **Popularisation of tokenisation in post-trade environment**

- The use of tokens to bridge legacy and DLT systems
- The replacement of legacy post-trade systems with DLT-based solutions
- The use of tokenisation for more efficient liquidity distribution

[Fintech-TF action] → continue analysis and compile a report

Deliverable A: summary of the mapping exercise (2)

- Ongoing regulatory arbitrage of fintech companies and fragmentation of national legal frameworks

[Fintech-TF action] → continue monitoring of national fintech-related strategies and regulations

- The use of new technologies for the purpose of maximising efficiency of the financial ecosystem

- Implementation of tech-based solutions for the automation of process
- Shift towards transparency enhancing solutions
- Increase of speed of interaction through digitalisation

[Fintech-TF action] → continue monitoring

Deliverable A: future of the mapping exercise

- **Continuous monitoring and analysis** via the Fintech-TF members
- Regular update notes / newsletters **looking into new initiatives** and **outlining changes in the trends**
- Outlining actions for the Fintech-TF → **input for the future work programme**

Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (1)

- a follow-up to the AMI-SeCo “DLT-TF” report [2017]
- based on identified practices of securities issuance or recording and post-trade in a DLT environment
- market stakeholders outlining the business rationale and results in practice

Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (2)

- The **objective** is to establish a common understanding in EU on
 - how the securities’ lifecycle could function in the DLT environment; and
 - what is needed for facilitating interoperability across DLTs as well as between DLT and legacy systems, in particular Target-2-Securities.
- The **scope** is on
 - how securities could be tokenized or newly issued on DLT; and
 - post-trade services in DLT, covering custody/safekeeping and trading.
- The **focus** is on bonds and equities.

Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (3)

EXECUTIVE SUMMARY

INTRODUCTION

1. Identified practices of securities issuance or recording and post-trade in a DLT environment

2. Issuance, recording and redemption of securities on DLT

- 2.1. Description of related business & operational processes
- 2.2. Description of related legal aspects
- 2.3. Key implications and requirements

3. Custody and safekeeping in a DLT system

- 3.1. Description of related business & operational processes
- 3.2. Description of interoperability options
- 3.3. Description of related legal aspects
- 3.4. Key implications & requirements for custody/safekeeping

4. Clearing and settlement in a DLT system

- 4.1. Description of related business & operational processes (incl. trading and DvP)
- 4.2. Description of interoperability options
- 4.3. Description of related legal aspects
- 4.4. Key implications & requirements for clearing and settlement

CONCLUSIONS

ANNEX (GLOSSARY OF DEFINITIONS)

Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (4)

Part of the report	Text proposals by
Executive summary	TF Secretariat
Introduction	TF Secretariat
1. Identified practices of securities issuance or recording and post-trade in a DLT environment	TF Secretariat
2. Issuance, recording & redemption of securities on DLT	TF Member(s) / subgroup
3. Custody & safekeeping in a DLT system	TF Member(s) / subgroup
4. Clearing & settlement in a DLT system	TF Member(s) / subgroup
Conclusions	TF Secretariat

Anticipated delivery of the final draft report → by end of Q1 2020

Deliverable B: report on “Issuance and post-trade of securities in a DLT environment” (5)

Subgroup 1	Subgroup 2	Subgroup 3
“Issuance, recording and redemption”	“Custody and safekeeping”	“Clearing and settlement”
Group-lead: Christoly Biely (Erste Group)	Group-lead: Marcello Topa (Citi)	Group-lead: Johannes Duong (OeNB)
14 members	11 members	14 members

- Kick-off on 18 November → **delivery of drafts on 14 February**
- **Steering calls in Dec, Jan and Feb** → group-leads + Fintech-TF Chair + Secretariat

Thank you!