

AMI-SeCo meeting
Agenda point 6.3

Fintech-TF reporting

Frankfurt am Main, 2 July 2019

1. Recent and on-going developments
2. Fintech-TF revised terms of reference

1) Tokenisation of securities and impact on Post-Trade value chain

▪ Analysis ongoing on

- Tokenisation of existing securities
- Initial registration of issued securities using DLT
- Using DLT for internalised settlement

▪ Taxonomy around tokenisation

- No universally agreed taxonomy
- Fintech-TF approach for the purpose of the analysis:
'tokens as representations of securities already recorded elsewhere'

▪ Legal, operational (and technical) aspects

- What are the legal and regulatory impediments for issuing transferable securities using DLT? What rights does holding a token give?
- Implications of tokenisation on business processes
- Possibilities and limitations of different DLT protocols



5 models of recording securities via the use of DLT

- 1. Issuance of securities as native digital assets on DLT using CSD**
 - Initial recording, settlement and holding performed on distributed ledger;
- 2. Private issuance of the securities as native digital assets**
 - Private issuance performed on DLT in the current regulatory framework;

TOKENISATION

- 1. Migration of the traditional record-keeping system of a CSD to DLT**
 - CSD technically decentralises its securities holdings by replacing securities and securities accounts with an arrangement based on DLT;
- 2. Use of a record based on DLT parallel to the legacy system**
 - CSD blocks part of the securities recorded in traditional book-keeping systems and makes them available only in the DLT network;
- 3. Intermediary uses DLT for internalised settlement**
 - An intermediary uses DLT in order to perform internalised settlement.



2) Mapping Exercise of the Fintech initiatives in the Post-Trade area

- **A mapping exercise collecting Fintech initiatives in Post Trading**
- **A summary note highlighting common trends arising from new technologies and focusing on:**
 - Governance aspects in solutions based on DLT
 - “Tokenisation” in securities Post-Trade environment and the impacts on:
 1. Liquidity aspects (e.g. availability of liquidity and provision in the system)
 2. Process aspects (e.g. interoperability between parallel systems)
 3. Regulatory aspects (e.g. regulatory arbitrage)
 - Efficiency of the financial ecosystem via the use of new technologies:
 1. Automation of the processes
 2. Transparency of the procedures
 3. Speed of interactions



1. Recent and on-going developments

2. Fintech-TF revised terms of reference

- The current ToR expires at the end of July 2019
The HSG agreed to the new terms of reference on 5 June
- ToR proposed to be revised to
 - re-confirm the interest of the AMI-SeCo to follow Fintech developments in post-trading and collateral management via the HSG
 - reflect the current harmonisation agenda
 - emphasise the role of the Fintech-TF as a forum for information sharing and body providing informal advice on topics related to Fintech
- The AMI-SeCo members are invited to agree to the revised Terms of Reference of the Fintech-TF
- Call for participants to the Fintech-TF as of August will be launched in the course of July