

# T+1 – Future governance possibilities – Report on SEG discussions

Presentation by SEG co-chairs

AMI-SeCo Meeting on 25 June 2024

# 1/ Contents

- Current T+1 developments
- Overview of possible future governance arrangements for any EU/EEA move to T+1
- SEG discussion / Timeline for any AMI-SeCo decision

## 2/ Comments on current situation

- Extensive work on a potential move to T+1 is ongoing, but as yet there is no definitive decision
- UK is closer than the EU/EEA to taking a decision (given endorsement by UK authorities of recommendations contained in the report by the UK Accelerated Settlement Taskforce)
- If there is a move to T+1, there is a strong rationale for coordination between the CH, EU/EEA and UK moves.
- Technical working groups are working on technical challenges and requirements.
- There will also be major governance and organisational challenges for any move to T+1.
  - How to achieve coordination between CH, EU/EEA and the UK moves
  - How to achieve coordination within the EU/EEA, given the number and diversity of market infrastructures (exchanges, CCPs and CSDs) and of public sector stakeholders (national securities regulators, etc)
  - How to ensure participation and buy-in from all market participants, including non-EU/EEA stakeholders
- There is a strong rationale already to discuss EU/EEA governance arrangements for any move to T+1.

# 3/ Future EU/EEA governance options

## Starting assumptions:

- There will be a public sector initiative that will impose an end date by which standard trading activity on EU/EEA exchanges will have to have moved to a standard T+1 settlement cycle
- Any necessary changes to market infrastructure functionalities, including any potential changes to T2S, will follow standard governance procedures.
- There is a need for a process, and body or bodies, that can fulfil the following functions:
  - Agreeing an implementation timetable
  - Monitoring and encouraging preparedness of market participants
  - Acting as a clearing house for information on developments
  - Identifying any gaps and inconsistencies (in plans, market developments, etc)
- Such a body or bodies should cover EU/EEA developments.
- To the greatest extent possible, such a body or bodies should also cover CH and UK developments, or should liaise closely with equivalent bodies in CH and UK.

# 4/ Future EU/EEA governance options

## Key question:

- There are three main options as to how such a body should be organised.

## Option 1 – Industry associations

### Advantages:

- The EU T+1 Taskforce already exists.
- Flexibility and inclusivity of membership – easy to incorporate additional private sector stakeholders

### Disadvantages:

- No (or little) representation of public sector stakeholders
- Little formal authority

# 5/ Future EU/EEA governance options

## Option 2 – ESMA

### Advantages:

- Good representation of public sector stakeholders
- ESMA is currently leading on public sector work on T+1
- Presence of an existing body (Post Trade Consultative Working Group) that may serve as a basis
- Potentially significant authority
- Potential for good representation of pre-trading and trading ecosystems

### Disadvantages:

- Little practical experience of such a group organised by ESMA (and hence uncertainties about representation)
- Possible concerns about presence of non-EU/EEA stakeholders

# 6/ Future EU/EEA governance options

## Option 3 – AMI-SeCo / AMI-SeCo Task Force

### Advantages:

- Use of an existing body (AMI-SeCo).
- Existing broad participation, including public sector stakeholders
- Existing structure of representation in individual markets (AMI-SeCo National Stakeholder Groups)
- Possibility of creating a dedicated task force with broader representation (including non-EU/EEA representation)
- Significant experience in the setting up and management of such groups
- Potentially significant authority

### Disadvantages:

- Possibility of confusion of roles of different public sector bodies (given the currently leading role of ESMA)
- Possibility of confusion with the role of the EU T+1 Task Force (as this may well continue to exist, but with a diminished role)
- Possible inadequate representation of pre-trade and trading eco-systems

# 7/ SEG Discussion / Timeline

- Some elements from the SEG discussion on 16 May:
  - Merits in all three options
  - Coordination needs to involve all stakeholders which are not only in the settlement or even post-trade domain but also include trading, market-makers, buy-side actors.
  - AMI-SeCo's limited mandate needs to be kept in mind
  - Too early to conclude on the issue of governance and coordination of industry deliverables.
  - Topic to be reviewed after the publication of the ESMA report.
- SEG will rediscuss after the ESMA report
- SEG will report to the AMI-SeCo in December.