

Mr John Berrigan

Director General Financial Stability, Financial Services and Capital Markets Union
European Commission

sent via email

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Key messages by AMI-SeCo on the European Commission's targeted consultation on the integration of EU capital markets

Dear Mr Berrigan,

I am writing to you in my capacity as chair of the Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo). AMI-SeCo represents a wide community of financial market stakeholders including national and international Central Securities Depositories (CSDs), market participants, Eurosystem central banks and industry associations. In addition to fulfilling its governance responsibilities with respect to the Eurosystem's TARGET2-Securities service (T2S), AMI-SeCo focuses on fostering harmonisation of securities settlement, collateral management and post-trade services in Europe.

AMI-SeCo welcomes [the European Commission's \(EC\) targeted consultation on the integration of EU capital markets](#) and strongly supports the EC's aim to achieve further harmonisation and integration of securities post-trade services in the EU as part of its Savings and Investments Union strategy.

I am pleased to present to you **the key positions and high-level messages from AMI-SeCo** in response to the consultation questions on post-trade services. AMI-SeCo is working on a comprehensive report which incorporates further input from its members on the remaining barriers to post-trade integration. This report is currently under preparation and will be shared with the EC in due course.

- **European securities pre- and post-trade services (issuance, settlement, asset servicing) should no longer continue to suffer from fragmentation along national borders.** Some of the barriers presented by the Giovannini reports of [2001 and 2003](#) and nearly all of those in the report by the European Post-Trade Forum (EPTF) in [2017](#) have not been addressed sufficiently or at all. Many of these barriers, such as the diverging management of corporate events and tax-related procedures, have their roots in lack of harmonisation of national legal and regulatory frameworks and associated

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supervisory requirements.¹ There are fundamental legal differences in national corporate laws and securities laws that need to be overcome to avoid that they remain an obstacle to cross-border activities. At least in the area of securities law, introducing an optional but comprehensive 28th (EU) legal regime is a promising approach. Furthermore, practices by market stakeholders, that could adjust without regulatory intervention, remain a source of fragmentation due to a lack of appropriate incentives and awareness. This persistent fragmentation prevents both cross-border competition between post-trade service providers at the European level and market-driven consolidation. The vision of issuers freely choosing the issuer CSD and thereby increasing competition between CSDs, enabled by European requirements (such as the CSD Regulation), has not been achieved yet. This is mainly due to the divergence across national corporate laws, burdensome procedures and preferences to use the legacy processes.

- **Although, with T2S in place, cross-CSD and cross-border settlement within the EU is technically easier and more efficient than a decade ago, several factors such as national restrictions on settlement location and lack of awareness by market stakeholders continue to hinder efficient cross-CSD and cross-border settlement.** T2S currently serves two-thirds of CSDs in the EU and has contributed significantly to removing operational barriers to cross-CSD and cross-market settlement as well as fostering harmonisation in the broader post-trade area. However, the vision of a CSD participant being able to rely on a single securities account at one CSD to reach most European securities has not materialised widely so far.² T2S users (CSD participants and their clients) are still not fully aware of the potential of the platform, and there are still behavioural or operational barriers (such as restrictions on location of settlement) to using the established network of links. Furthermore, significant volumes of settlement are internalised by CSD participants. Finally, there are still some CSDs which do not have any investor links to other CSDs. As a consequence, cross-CSD settlement on T2S remains at a low level of around 3 to 4% of total T2S volumes only.
- **Further EU integration needs collective action and working towards common deadlines. The EU's migration to a T+1 standard securities settlement cycle by October 2027 is a unique opportunity to foster activities to remove some of the remaining barriers to efficient cross-border settlement.** The move from the current T+2 to a T+1 standard securities settlement cycle is based on wide industry collaboration and is conducive, in particular, to accelerating (pre-)settlement processes based on European standards and agreements. All stakeholders should review their processes and remove any remaining restrictions to cross-CSD settlement, while being mindful of the need to ensure a smooth

¹ In addition, concerns by national competent authorities regarding investor protection in the cross-border context may also hinder further consolidation.

² Only a minority of CSD participants use the possibility, offered by a few T2S CSDs who built an extensive network of CSD links, to access most European securities from a single securities account.

migration to the T+1 settlement cycle by 11 October 2027.

- **Servicing of assets (corporate events, registration, shareholder / bondholder identification, tax processing) across borders within the EU must no longer be subject to fragmentation and uncertainties.** The existence of standards (e.g. the AMI-SeCo-sponsored corporate event standards³) and EU regulatory requirements (e.g. SRD2) in some of these areas aim to make the servicing of assets across borders more efficient. However, differences in law, fiscal requirements, regulatory and supervisory expectations, and national market practices expose issuers, intermediaries and investors to uncertainties and high compliance costs in the issuance and holding of securities across EU borders and prevent scale. Corporate events standards are not fully complied with or are interpreted differently by stakeholders due to differences in national corporate law requirements and market practices. Existing shareholder identification requirements (SRD2) are implemented differently, and related industry standards are not complied with due to reluctance to change existing national models on shareholder identification. Registration of securities holders is done by different entities and processes, and they have varying meanings and legal effects across Member States. Finally, processing taxation of income from capital gains and financial transactions are vastly different and inefficient across borders, often leading to de facto double-taxation of interest or dividend income. These barriers also make it difficult and costly for CSD groups or other entities to create common IT platforms to support asset servicing via a single platform (i.e. as is done for settlement via T2S).⁴
- **The EU needs a common data dictionary and data model for reference and transactional data in financial services, across the steps of issuance, settlement and holding of securities.** There is no universally available golden source on securities reference data and information suffers from media breaks and lack of machine-readable data exchange in transactions. To address these issues, and to support CSDs in their core notary services duty, issuers and their agents should be required to provide to the issuer CSDs all securities reference data in machine-readable form according to a taxonomy and data model agreed by the industry. Issuer CSDs should then propagate this information to their participants and investor CSDs without delay. The co-existence of different, not fully interoperable international and national proprietary messaging standards makes it costly for service users and providers to exchange and process data. AMI-SeCo aims to establish by July 2025 a strategy and timeline for all stakeholders to transition to ISO20022. In debt issuance, the absence of a commonly adopted European template for term sheets and the lack of convergence on market conventions

³ The [T2S corporate action standards](#), the [SCoRE corporate action standards](#), [Joint Working Group market standards](#) as well as the [Industry shareholder identification standards](#)

⁴ Although the large CSD groups have developed or are developing common IT infrastructures, the diverging legal, regulatory and fiscal requirements prevents the CSDs and their participants from reaping the full benefits of such infrastructures.

(business calendar, business day, interest rate calculation, rounding) make European debt markets less deep and efficient than their potential.⁵

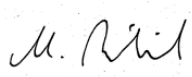
- **The EU needs a single rulebook for asset servicing, collateral management and settlement.** AMI-SeCo has been sponsoring market harmonisation by creating and monitoring the implementation of standards in different areas of post-trade services (settlement, corporate events, collateral management).⁶ Yet, outside the context of major Eurosystem infrastructure projects (T2S, ECMS), compliance with agreed standards remains suboptimal. Most stakeholders lack incentives to invest in full compliance with European market standards if they are not backed by regulatory requirements. The industry can further improve, consolidate and align these standards as well as formulate new ones to create the single rulebook. However, experience shows that adherence to common rules must be based on strong coordination and sufficient incentives and cannot be left solely to voluntary market self-regulation. To facilitate the implementation of standards by all stakeholders and transitioning in a coordinated way, establishing clear roadmap and timelines as well as the support by public authorities are essential.
- **For assets issued or ‘tokenised’ based on new technologies such as, distributed ledger technology (DLT), any EU fragmentation stemming from new, emerging platforms must be prevented to the extent possible.** As observed in the existing ('legacy') ecosystem, differences in applicable legislation and non-harmonised operational processes are potential sources of fragmentation also for emerging innovative platforms. Furthermore, in the absence of a single European framework for digital assets, Member States' national laws governing digital securities by nature lack sufficient harmonisation, similar to the traditional ecosystem. At operational level, the use of protocols and technologies varies significantly (e.g. consensus mechanisms, token and access rules) and makes it difficult for platform operators to establish interoperability with other emerging platforms or with the legacy ecosystem. The DLT Pilot Regime has been a very useful initiative to promote innovation by establishing a 'transitional' European framework for these services, but so far, its take-up has been limited by stakeholders, many of whom seem to rely on proprietary national regimes or the CSDR instead. Presumably, the 'transitional' nature of the DLT Pilot Regime and its thresholds make it difficult to achieve the necessary certainty for planning and limits the appetite for larger investment. The long-term objective should be a single European regulatory regime for securities, agnostic to the type of technologies used. This would allow established players and new entrants to compete in providing innovative services on a level playing field.

⁵ A common data dictionary and data model could, in the context of the CSDR, also reduce the burden on stakeholders with regard to the application of settlement fail penalties, specifically in terms of source and application of reference data.

⁶ See most recent AMI-SeCo reports on [Corporate Events Compliance](#), [SCoRE implementation and compliance](#) and [T2S harmonisation progress](#)

AMI-SeCo appreciates the opportunity to express its views and continues to stand ready to provide support or input to the EC and Member States to foster the integration of EU securities markets.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'U. Bindseil', is positioned above the printed name.

Ulrich Bindseil
Chair of AMI-SeCo