



EUROPEAN CENTRAL BANK

EUROSYSTEM

3rd CSG workshop on Market Settlement Efficiency

Debriefing from 12 June 2019

AMI-Seco

Frankfurt, 2 July 2019

Actions taken on settlement efficiency at market level

Tour de table: Bilateral dialogue between CSDs and Participants & NSG meetings

Interesting contributions from broker/dealer point of view: awareness of penalty regime, interest in partial release, late instructions vs. hold&release

Main conclusions: Detail analysis needed, concentration on few parties observed in some cases, bilateral contact working well, follow up on partial release implementation

CSD-R settlement fails reporting vs. CR 646 operational reporting

CSDR settlement fails requirements not stable; significant gaps to CR 646 assumed

CR 646 and CSDR reporting different objectives, both relevant. CSG to decide whether the reporting in T2S shall be enhanced, when CSDR requirements stabilise

Partial Release

HSG proposal to draw correlation between use of non-partial settlement flag & settlement efficiency. Proposal for regular monitoring (e.g. in the OMG as part of settlement optimisation analysis)

Aged Transactions

- 19% settlement instructions in volume (resp. 18% in value) older than 3 months
- 9% settlement instructions in volume (resp. 6% in value) older than 1 year
- 80% of aged instructions are on hold
- Total 106 362 aged settlement instructions, value € 66 521 753 257,36 (snapshot)
- Potential improvement of T2S settlement efficiency ratio in volume by 0.86% for a 1 year configuration of the cancellation period and up to 1.67% if > 3 months is configured

Settlement Efficiency Workshop Proposal to CSG:

July - Dec 2019:

- CSDs/Participants take actions to clean-up
- 4CB provide indicator per CSD to enable a follow-up of the evolution (monitoring via CSG)
- ECB check with legal for proposing a note supporting why it is not contradictory to SFD
- Contact with the T2S Cooperative Arrangement

Dec 2019 – October 2020

- Based on monitoring results, potential T2S governance decision on deploying change request T2S-0691-URD (Recycling period of 60 days for matched instructions)
- CSD rulebooks should be revisited to include the rule if CR implementation

Late Matching Transactions

- Late matching relevant in CSDR context
- ~ 2.4% potential negative effect on settlement efficiency in volume
- Addressing the late matching creates better pre-conditions for settlement efficiency but does not address all factors
- CSDs to initiate/continue analysis and dialogue with the participants on late matching

Settlement Efficiency Target

- No numerical target as of now. Need to demonstrate that we are progressing and improving with proactive approach. Consider:
 - cost vs benefit balance
 - combination of technical tools and the market behavior
- Implicit comparison to the T2S global settlement efficiency