



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Barriers to digitalisation in securities post-trade services

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Dear <Mr/Ms/Mrs Surname>,

The Advisory Group on Market Infrastructures for Securities and Collateral of the Eurosystem (AMI-SeCo) has carried out a survey on the remaining barriers to digitalisation in securities post-trade services in Europe. We believe that the findings of the report are highly relevant for the work carried out by the European Commission both in the context of its [Digital Finance Strategy](#) and [its Action Plan on the Capital Market Union](#). The following are the key takeaways from this exercise the we believe deserve your attention:

- Barriers to digital **withholding tax procedures** exist mainly due to requirements for physical paper documents, paper-based processes and wet ink signatures by tax administrations. While there are ongoing digitalisation initiatives in a number of member states the directions of digitalisation attempts diverge to a great extent and that without common standards for tax processing the solutions introduced — at national level.
- With regards to **corporate events and engagement with shareholders / bondholders** although communication between post-trade service providers and the issuer is mostly electronic, in practice distribution of physical / paper documents (e.g. for annual meetings) to end-investors is still the norm in many countries. At cross-border level this is further exacerbated by the fact that all jurisdictions concerned (i.e. that of the investors, intermediaries and the issuer) would have to allow digital procedures for these to work and facilitate digital communication between the stakeholders. It is noted that the recast of the Shareholder Rights Directive (SRDII) is a clear step forward in this field.

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- The majority of respondents to the survey indicated that physical transmission of documents is still required in their jurisdiction for **customer on-boarding and / or customer-due-diligence procedures**. Such requirements often stem from requirements to notarise / legalise / apostille documents. Furthermore, for customer on-boarding often physical presence and identification of the customer or their representative is required.
- Although the majority of EU Member States allow issuance of securities in fully dematerialised form a significant number of respondents indicated that **physical (paper) global notes** still exist in their jurisdiction. It is also highlighted that the global note form is used even in jurisdictions which allow full dematerialisation in case there is a risk of conflict of laws stemming from the laws of the country (of residence) of a foreign issuer or the foreign laws under which the securities are issued.
- Finally, as **a reaction to the COVID-19 pandemic** many jurisdictions relaxed temporarily national requirements related to physical interaction and the use of paper documents in the areas above. Several respondents highlighted that making some of these measures permanent could be considered by law-makers and other authorities based on the lessons learnt to support digitalisation.

The AMI-SeCo is aware that there are on-going initiatives by the European Commission that target digitalisation in these areas of financial services and hopes that the findings of this survey serve as useful input for this on-going work. In particular, many of the barriers identified seem to be related to the lack of trustworthy, widely accepted pan-European electronic identification schemes to authenticate documents and identify natural or legal persons in a digital environment. Therefore, the AMI-SeCo welcomes and strongly supports the European Commission's [proposal for amending Regulation \(EU\) No 910/2014 as regards establishing a framework for a European Digital Identity](#).

Yours sincerely,

Encl. Report on the outcome of the survey on barriers to digitalisation in securities post-trade services