

Impact analysis report

Non-compliance with T2S harmonisation standards

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1. Introduction

This report provides an assessment of the impact resulting from the fact that so far compliance with agreed T2S harmonisation standards has not been achieved for all standards and/or in all T2S markets. The impact assessment thus complements the 2020 report on securities settlement and collateral management harmonisation progress in T2S markets.¹ The report is provided by the AMI-SeCo and focusses on the non-compliance with the core T2S securities settlement harmonisation standards (former Priority 1 T2S harmonisation standards).

The impact analysis is carried out as part of the monitoring exercise, whenever the respective T2S National Stakeholder Group (NSG) reported to the AMI-SeCo that the respective T2S market has not fully complied with one or several T2S harmonisation standards up until mid-November 2020. In line with the agreement by the former Market Infrastructure T2S Board (now MIB) in 2013, this report contains also the advice given by the AMI-SeCo (former T2S Advisory Group (AG)) to the MIB on the course of action to be taken as regards each case of non-compliance.

The report is structured as follows. Section 2 describes the methodology according to which the assessment was done. Section 3 provides an overview table on the overall impact per T2S market, whereas section 4 provides a detailed description of the non-compliance cases, the respective impact and plans including estimated timelines for achieving compliance for each non-compliant T2S market. Section 5 describes the current status of compliance and an overview of its impact for the Finnish market (Euroclear Finland) preparing to migrate to T2S in 2023. Section 6 concludes the report with the AMI-SeCo proposals to the MIB for further action, which have been agreed by the AMI-SeCo on 3 December 2020 and have been endorsed by the MIB.

¹ For more information and the published report, see [AMI-SeCo](#).

2. Methodology for assessment of non-compliant markets

For assessing as to whether the expected impact in terms of expected severity, volumes/frequency and risk is high, medium or low, the below methodology was used.

	Impact category		
	Severity (is a qualitative assessment of the impact on the T2S community, i.e. the level of adaptation needed by users and investor CSDs to manage non-standard settlement)	Expected volume/frequency (is a quantitative assessment of the number of settlement instructions that will require non-standard processing in T2S)	Expected risk of not achieving full compliance (is an assessment of whether a plan for full compliance exists and how far the implementation date of that plan is from publication date of this report)
High impact	Complex adaptation required from users/investor CSDs to adapt to non-standard processing. It may involve setting up of restriction rules by Investor CSDs, onerous manual processing or require IT development to implement deviating processing for the respective market.	In absolute terms, the estimate is that more than 10,000 instructions per year in T2S will be affected.	No commitment/concrete plan by a market to reach full compliance with a T2S standard by a certain date.
Medium impact	Significant adaptation is required from users/investor CSDs to adapt to non-standard processing. This may require IT development to implement deviating processing for the respective market or involve regular use of manual processing.	In absolute terms, the estimate is that 1,000 – 10,000 instructions per year in T2S will be affected.	There is a commitment/concrete plan of a market to achieve full compliance with a T2S standard, but the implementation date is more than 12 months after publication of the report.
Low impact	Small or no IT adaptations required from users/investor CSDs to adapt to non-standard processing. Some manual processing may be required or processing in T2S could be delayed.	In absolute terms, the estimate is that less than 1,000 instructions per year in T2S will be affected.	There is a commitment of a market to achieve full compliance with a T2S standard no later than 12 months after publication of the report.

3. Summary of results

The non-compliant cases from this impact analysis are summarised in the table below:

T2S markets	Non-compliance with T2S harmonisation standard				
	#2 on Matching Fields	#5 on Schedule for Settlement day and T2S Calendar	#6 on Corporate Actions	#13 on Availability of omnibus accounts	#14 on Restriction of Omnibus Accounts
AT			Medium		
BE – Euroclear			Low		
CH			Low		
DE			Low		
ES	High				
FR – Euroclear			Low		Medium
FR – ID2S			Medium	Medium	Medium
HU	Low	Medium	Medium		
LU – LUX CSD			Low		
NL			Low		
SK – NCDPC	Low		Low		

The number of T2S markets assessed in this report is unchanged compared to last year's assessment. However, progress towards reaching full compliance with all standards has been observed in many of the markets. One market (Italy) has reached full compliance on Standard 6 since last year, but there is still an ongoing discussion relating to Standard 4. For the sake of completeness, they are still covered in this report while the Italian case for Standard 4 on interaction for tax info is under discussion in the AMI-SeCo.

There have also been improvements in some markets leading to a downgrading of the assessments of the overall impact. One market (Germany) has shifted from a high overall impact assessment to a low overall impact assessment following the implementation of the CA Standards on Market Claims, with high impact on the T2S Community. In addition, three markets (Belgium, Netherlands, France – Euroclear France) have all shifted from a medium overall impact assessment for standard 6 to a low overall impact assessment. This is due to Euroclear's planned migration to a new CA platform which is due to take effect in March 2021. Further, for the Slovakian market (NCDPC) the impact remains assessed as low, but it is noted that the risk of not achieving full compliance with the T2S Corporate Action standards has decreased due to the Slovakian market's (NCDPC) plans to become fully compliant by the second quarter of the year 2021.

4. Impact assessment of non-compliance per T2S Market

4.1 Austria

Austrian market impact (Migration wave 4: 6 February 2017)

AT non-compliance: T2S corporate actions standards	
Overall impact	MEDIUM
<i>Severity (qualitative)</i>	<i>MEDIUM</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>HIGH</i>

The Austrian market does not comply fully with the three T2S CA standards:

- Market Claims Standards 6 and 7: to mitigate the risk of tax fraud, the Austrian market is not considering the “opt-out”, “ex” and “cum” flags when generating market claims in T2S;
- Market Claims Standard 23 – the Austrian CSD does not provide to its participants a “user friendly facility” in order for them to control the interdependence of the settlement of the market claim with the settlement of the underlying transaction².

The AMI-SeCo continues to assess the non-compliance with the above standards as having a ‘medium’ severity impact (qualitative) on the rest of the T2S Community. This is based on the assessment that in some scenarios the non-compliance would result in the need for Austrian CSD participants, as well as participants in CSDs having a link with the Austrian CSD, to manually and bilaterally generate market claims. In other scenarios, the same counterparties may need to reverse the wrongly generated market claims by the Austrian CSD. In addition, the same actors may need to wait for the settlement of market claims generated by the Austrian CSD with “on hold” status on securities accounts on which the optional facility to control settlement of market claims has been activated by the Austrian CSD participants. Similarly, there is an impact on investor CSDs, whose market claim instructions cannot match in T2S with those generated by the Austrian CSD in the scenarios when the latter does not generate market claims in accordance with the T2S CA Standards.

Only a few settlement instructions were expected to be affected per year. The reasons for this are that i) the Austrian banks agreed not to actively use the cum/ex and opt/out flags; thus few cases are expected where these flags will be used in the settlement instructions and ii) the harmonisation of the sequence of key dates used for corporate actions processing within T+2 will result in much lower volumes of market claims. The actual number of settlement instructions concerned for the period from 16 August 2019 to 15 August 2020 is estimated to be below 1000 settlement instructions per year:

- Standards 6 and 7 (instructions with cum/ex/opt-out indicator): 6
- Standard 23 (claims flagged with automatic party hold at account level): 251

As this estimation is below 1,000 settlement instructions per year, the AMI-SeCo assessed it as having a low quantitative impact on the rest of the T2S community. However, the affected volumes may increase in the future, depending on the number or relevant CSD link arrangements to be established.

The Austrian MIG (Corporate Actions National Implementation Group, CANIG) is in the process of drafting the current situation in Austria including a gap analysis as regards the AMI-SeCo CA standards. In the next step the CANIG will address the issue to the Austrian Federal Economic Chamber in order to seek consensus with other associations. After that, the CANIG plans to involve the Federal Ministry of Finance for a final assessment. Until a final plan has been determined by the Austrian market for achieving full

² Instead, OeKB provides its participants with an optional facility allowing them to indicate that all market claims, generated by the CSD on certain securities accounts, should be with ‘on hold’ status. This mechanism is against T2S CA standard 23 as also explained in the related Frequently Asked Questions documentation published by the T2S community.

compliance, there continues to be a high risk for not implementing a compliance resolution in the foreseeable future.

Given the above, AMI-SeCo assesses the overall impact as medium.

4.2 Belgium

4.2.1 Euroclear Belgium

BE market (EoC) impact (migration wave 3: 12 September 2016)

BE market (EoC) non-compliance: T2S corporate actions standards	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>MEDIUM</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The Belgian market (EoC) does not fully comply with the following T2S CA Standards; Market Claim and Transformations Standard no. 11 (on cash compensation), Transformation Standard 9 (on mandatory reorganisation into multiple outturns) and Buyer Protection Standard 9 (on buyer protection deadlines).

Both Market Claims Standard 11 and Transformations Standard 11 relate to the same issue, outturn securities fractions. Euroclear Belgium is compliant with the rounding down requirement with regard to these outturn securities, for both Market Claims and Transformations. However, Euroclear Belgium is not yet fully compliant with the cash compensation provision in both Standards.

The reason behind this implementation gap is the decision of the Belgian market to delay full compliance with the Transformation Standard related to compensations by multiple outturns. Therefore, in case of reorganisations with options, pending instructions that need to be transformed are only cancelled and the required transformed instructions are not generated by Euroclear Belgium. As a consequence, participants in investor CSDs, linked to Euroclear Belgium, are not able to process some types of transformations according to the T2S CA standards. The AMI-SeCo has assessed that this non-compliance translates into a medium impact (severity) for T2S CSDs and their participants. The affected actors have to support non-standard and manual processing for managing market claims, transformations and buyer protection instructions generated in the Belgian market.

In terms of the affected volumes, non-compliance with Market Claims Standard no 11 and Transformation Standards no 9 and 11 does not materialise in practice on the Belgian market. Further, Euroclear Belgium achieved full compliance with the buyer protection standards in January 2020 with a change to the Belgian Code of Companies & Associations for events with quoted rights (mostly capital increase events). However, recently 2 events occurred affecting the compliance status of the Belgian market with Buyer Protection Standard 9 as well as three CAJWG CA Standards related to the key dates for mandatory reorganisation with options. Non-compliance was observed in the context of the capital increases of two regulated public real estate companies. Not only was the election period of these events shorter than the prescribed period (7 days instead of 10), the election period also continued until Market Deadline. Therefore, the buyer protection was not guaranteed for the last three days of the election period.

Non-compliance of the election period as described in the previous paragraph occurred for 2 events in 2020 and 6 events in 2019, events that were only observed for regulated public real estate companies under Belgian law. Although the events are rare the Belgian market is preparing mitigating measures, such as planning an awareness campaign in January 2021 via the Belgian Market Implementation Group (BE-MIG) to inform front offices and issuers about the applicable standards and to encourage them to adjust.

Euroclear Belgium as a CSD remains fully compliant with the buyer protection standards and the Belgian market foresees full compliance with all remaining T2S CA standards in 15 March 2021 with Euroclear migrating mandatory events to its new CA platform.

Given the low volume and existing plans for implementation in the near future the AMI-SeCo assesses the overall impact as low.

4.3 Switzerland

SIX SIS (CH) market impact (migration wave 1 June 2015)

CH non-compliance: T2S corporate actions standards	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>LOW</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>HIGH</i>

The Swiss market complies with all T2S CA standards, except with the T2S CA Transformation Standard 2, for which no implementation date has been defined:

- The Aim of T2S CA Transformation Standard 2 is that CSD participants should have the possibility to send settlement instructions to the T2S System during the 20-day period following the maturity date of a security (“old” ISIN). During this 20-day period instructions sent by CSD participants will be validated and allowed to match but not to settle. Transformation detection process should be performed at least once per day. Only transformed settlement instructions will be sent to T2S for settlement. After the end of this 20-day period all instructions from CSD participants, irrespective of their matching status, will be cancelled by T2S.
- The Current Swiss Market Practice (incl. Liechtenstein) is that settlement instructions can be sent for matching until EOD on Record Date. At the EOD on Record Date all pending settlement instructions that are matched will be transformed automatically. Unmatched transactions will be cancelled by SIX SIS and will not be transformed. After Record Date all incoming instructions from CSD participants will be rejected by SIX SIS. The static data of the ISIN are inactivated after the record date/maturity date on the SIX SIS legacy system (SECOM). Consequently, Swiss Market Practice will overrule any incoming instruction of “old ISINs” in Euro centrally held by SIX SIS and accordingly, instructions in “old ISINs” will no longer be matched on T2S.

Since the implementation of the relevant change on T2S (June 2018), SIX SIS has not experienced any such affected instructions. Therefore, in view of the very limited number of affected transactions (if any), the effect of non-compliant practice with the Transformation Standard 2 is estimated to be low (zero) for the near future.

At least for the time being, SIX SIS has decided not to replicate the specific T2S functionality of the 20-day Transformation Period following the maturity date of a security. SIX SIS arrived at this conclusion (i) after assessing the number of impacted transactions which turned out to be zero; (ii) as current Swiss (incl. Liechtenstein) market practice for CHF currency transactions in its legacy system will remain unchanged and (iii) against the background of a disproportionate financial impact on SIX SIS. The latter is mainly caused by the home market settlement system (SECOM) running in parallel to the T2S system and the fact that SIX SIS has to cover additional market practices that are different to those of T2S. A change of practice to reach compliance with the Transformation Standard 2 is considered to be a major technical change in the SIX Settlement System (SECOM) which the Swiss NSG assesses as disproportional in terms of cost versus current number of affected transactions.

The implementation gap could have the following consequences:

- SIX ICP-participants, SIX DCP-participants and participants in investor CSDs linked to SIX SIS are not able to instruct after record date/maturity date in the “old ISINs” in a fully automated way according to the T2S Standard.
- The affected actors will have to support manual processing for managing transformations (mostly actors over SIX SIS for ISINs centrally held at EU CSDs, or for ISINs centrally held by SIX SIS also those actors of other CSDs on T2S are affected):

- As indicated above, after Record Date unmatched instructions are rejected by SIX SIS;
- Upon request by the actors, SIX SIS will re-open the ISIN on a case-by-case basis that allows participants to re-instruct for matching;
- After matching under the “old ISIN” the transformation will proceed normally, and the transformed settlement instruction will be sent to T2S.

In terms of the scope of the implementation gap the main relevant events affecting transformation are: Repurchase Offer, Conversion, Mandatory Exchange, Early Redemption, Merger, Partial Redemption with Reduction of Nominal, Spin-Off, Split and Reverse Split.

The Swiss market achieved full compliance with all T2S CASG Standards soon after its migration in the first wave in June 2015. Subsequent to the T2S Release in June 2018, this Transformation Standard 2 is the only one SIX SIS is not compliant with. As long as above-mentioned circumstances remain unchanged, Transformation Standard 2 is not scheduled to be replicated by SIX SIS in its legacy system, i.e. no plans are in place to implement the standard. Due to the current integration of the Bolsas y Mercados Españoles (BME) into the SIX Group, the situation regarding compliance with this specific standard needs to be analysed in the overall context in more detail and it needs to be clarified how full compliance can best be achieved.

Given the above, the AMI-SeCo assesses the overall impact as low.

4.4 Germany

German market Impact (Migration wave 4: 6 February 2017)

DE non-compliance: T2S corporate actions standards	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>LOW</i>
<i>Expected volume/frequency (quantitative)</i>	<i>HIGH</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

In its aim to fully comply first with the standards where non-compliance is assessed as having a high impact on the rest of the community the German market has developed some time ago a special functional model also approved beforehand by the T2S CASG as being standard compliant. With the installation of Clearstream’s June 2020 release the aforementioned functionality has been successfully implemented. In consequence, the German market now fully complies with the former high-impact market claim standards 9, 10, 14 and 15 as all cash entitlements deriving from market claims on DE ISINs are settled via T2S in line with the standards. Together with the major milestone achieved on 1 January 2017 (introducing the “record date”) the German market has therewith overcome most of the important non-compliance issues. However, the following compliance gaps are still present:

- Market Claims Standard 8: The non-compliance is related to the slightly differing definition of irrevocable transactions by the CAJWG / T2S CA standards and by the German market practice. According to the standards market claims should be generated on matched transactions. The German market practice prescribes generating market claims on settled transactions (which it deems irrevocable) but not on pending matched transactions (which are not yet settled). The German market currently discusses the status of irrevocability. The German market has further proposed to also discuss this terminology issue in the context of standards maintenance. Moreover, German market participants (often) ask for support by cancelling market claims in case the underlying transactions do not settle in the end. Furthermore, a general tax concern could not yet be solved, and in addition the German market does not have in place an automated CSD centralised mechanism to generate market claims on OTC transactions in non-flat bonds, which raises certain operational difficulties in the context of cross-CSD settlement.

Non-compliance with this standard has a low impact on the T2S Community from a qualitative perspective.

- Market Claims Standards 7, and 19: Gaps refer to the “CUM” indicator in the T2S messages and the generation of market claims only after the underlying transaction has settled. Implementation

is dependent on the consent of German public authorities and agreement in the German Market Practice Committee. Based on an update by the DE NSG in principle the CUM flag is not intended to be implemented without prior approval by the ministry of finance. The German market has already started discussion with the ministry to get approval for this cum-flag processing. In general, there seems not to be a real need to implement such a flag since CUM processing can in today's environment also be achieved by changing the trade date (which did not exist at the time the standards had been established). Nevertheless, the German community believes that the use of the "CUM" indicator in T2S markets should be surveyed and, subject to the outcome of such survey, the need for the "CUM" indicator and the relevant standard could be discussed.³ Non-compliance with these standards has a low impact on the T2S Community from a qualitative perspective.

- Market Claims Standards 20, 21 and 22: At present and following the understanding of the CAJWG standards by German market, the content of market claims is not modifiable. Clearstream considers this for T2S by setting the ModificationAllowance-Flag to "NO". Nevertheless, the current feature to set up blocked market claims requiring the release of customers (if applied for this service) will also be provided.
- Buyer Protection Standard 10: the German market is not yet fully compliant with this standard, but a target implementation date has been set to end of 2021. The German market would like to use the data provider Wertpapier-Mitteilungen as central source for providing and publishing Buyer Protection key data e.g. Buyer Protection Deadline. With the participation of CBF on T2S Buyer Protection Deadline information shall be incorporated in SWIFT MT56X. Filling depends when central data vendor will provide this information.
- Transformation Standards 12 and 13, at present Clearstream modifies instructions in case of reorganizational events, thereby keeping all status. While re-instructing with T2S Clearstream will provide the same indicators as the underlying instruction. Linkages are not included. Processing will be discussed and updated, technical analysis started and target date for implementation 2Q/2021 (to be confirmed).

According to the volumes data provided by the German NSG, for the period from September 2019 to September 2020, the number of settlement instructions in which the cum flag was used (related to the non-compliance with Market Claims Standard 7) amounted to 37 (among them 22 related to DE ISINs and 15 related to European and non-European ISINs). In the same period, Clearstream generated a total of 107 422 market claims for DE ISINs. Considering the non-compliance with Market Claims Standard 25, a probable volume of over 10 000 transactions is in principle in line with the methodology assessed as having a high quantitative impact to the rest of the T2S community.

Implementation of the Market Claims Standards with high impact on the T2S Community (payment on T2S DCA accounts) has now been completed. With this the German market has overcome the most important vital non-compliance issues and, in this regard, does no longer present any severe impact on the rest of the community. Based on the information provided by the German NSG, the AMI-SeCo has concluded that the German market's non-compliance will have a low impact overall.

4.5 Spain

Spanish market impact (final migration wave: 18 September 2017)

ES non-compliance: T2S standard on matching fields

³ The German community believes that backdating the Trade Date could be used as a trigger for market claims instead of the "CUM" indicator.

Overall impact	HIGH
<i>Severity (qualitative)</i>	<i>MEDIUM</i>
<i>Expected volume/frequency (quantitative)</i>	<i>HIGH</i>
<i>Risk of not achieving full compliance</i>	<i>HIGH</i>

The Spanish market does not comply fully with the T2S standard 2 on matching fields.

The non-compliance stems from the fact that for intra-CSD settlements on equities there is a requirement in place in the Spanish market by which the T2S optional matching field “Client of the CSD participant” is filled in with the end-investor information which is not necessarily the client of the CSD participant, and therefore results in a misuse of the matching field.

The requirement forces participants in the Spanish market which are active also in other T2S markets to support a deviating non-harmonised process for instructing and reconciling intra-CSD settlements on equities in the Spanish market. However, the Spanish market follows this practice only for intra-CSD on equities and not for cross-CSD instructions or for fixed-income securities, for which the practice is not in conflict with the T2S Standard. Therefore, the qualitative impact on the T2S Community is expected to be medium.

The volumes involved are expected to be high as all the intra-CSD volumes on equities are affected. According to the ECB Statistical Data Warehouse, Iberclear had 7.5 million intra-CSD equity transactions in 2018.

The Spanish NSG takes the view that the current market practice in the Spanish market goes beyond the matching standards, as it encourages to inform about the client of the CSD participant, although this is an optional matching field, and it does not have a negative impact. General agreement in the Spanish NSG has been reached to consider that current practice is not an issue and no adaptation planning is required. Consequently, there is no formal plan by the Spanish market to fully comply with the T2S Standard as it is and thus the risk of not achieving full compliance (as per the agreed methodology) is high. Therefore, the overall impact of the non-compliance is assessed to be high. However, it is important to note that discussions are on-going in the Harmonisation Steering Group of the AMI-SeCo on the potential ways to resolve the issue.

4.6 France

4.6.1 Euroclear France

4.6.1.1. T2S Corporate Actions standards

FR market impact – T2S CA standards (migration wave 3: 12 September 2016)

FR non-compliance: T2S corporate actions standards	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>MEDIUM</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The French market (EoC FR) does not comply fully with the T2S CA Standards on market claims and transformations, more specifically Market Claims Standard 11 and Transformation Standards 9 and 11. However, Euroclear (FR) intends and plans to be fully compliant in Q1 2021.

For Market Claims Standard 11 and Transformations standard 11 the rounding down requirement is met, however not fully in the case of cash compensation:

- If the reference price is not known before the end of Record Date, Euroclear France does not generate the required PFOD transaction.
- If the reference price is known at Record Date, Euroclear France does not compensate the fractional part related to stock distribution.

For Transformations standard 9 Euroclear France currently does not support multiple outturns in case of mandatory events and further does only generate transformed instructions if the ratio is 1 for X securities.

The reasons behind this implementation gap are i) the non-compliance of the French market with the underlying EU market standards⁴, and ii) the decision of the French market to delay full compliance with the market claims and transformations standards related to managing fractions in the case when the reference price is available prior to the end of day on Record Day (RD) and for compensations by multiple outturns. The gap has the following consequences:

- Market claims related to fractions on securities entitlements in the case when the reference price is available prior to end of day on Record Day (RD) and on multiple outturns are not generated by Euroclear France;
- In the case of reorganisations with options, pending instructions that need to be transformed are only cancelled and the required transformed instructions are not generated by Euroclear France. In addition, transformations related to fractions on securities entitlements in the case when the reference price is available prior to end of day on RD and transformations in the case of multiple outturns are not processed by Euroclear France;

As a consequence, participants in investor CSDs linked to Euroclear France are not able to process some types of market claims and transformations instructions fully according to the T2S CA standards. The AMI-SeCo has assessed that this non-compliance translates in a medium impact (severity) for T2S CSDs and their participants. The affected actors have to support non-standard and manual processing for managing market claims and transformations instructions generated in the French market.

In terms of the affected volumes, the non-compliance with Market Claims Standard 11 (i.e. processing of cash compensation of the fractional part in case of stock distribution if the reference price is available prior end of record date) and with Transformation Standard 11 (on mandatory reorganisation in outturn securities fractions without options) does not materialise in practice in the French market. There are a very low number of events following this scheme (compensation based on a reference price), since 2017 no event was concerned. This has further led to a medium priority for the correction of this defect. The non-compliance with Transformation Standard 9 does also not materialise in practice in the French market. Furthermore, the cross-CSD volumes are estimated to be low due to the few existing CSD links between Euroclear France and the other CSDs in T2S.

The plan of the French market is that compliance should be met for all T2S CA standards with the Euroclear France migrating mandatory events to its new CA platform which is planned to take place in March 2021. Given the low volume and existing plan for implementation in the near future the AMI-SeCo assesses the overall impact as low.

4.6.1.2. Restrictions on Omnibus Accounts

FR market impact – Restrictions on Omnibus Accounts (migration wave 3:12 September 2016)

FR non-compliance: T2S standard on restrictions on omnibus accounts	
Overall impact	MEDIUM
<i>Severity (qualitative)</i>	<i>HIGH</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>HIGH</i>

There is a legal requirement in France to segregate holdings in dedicated accounts based on the legal form of the security (i.e. bearer or fully registered)⁵. The requirement also applies on omnibus accounts of Investor CSDs; i.e. two distinct omnibus accounts are required for the servicing of registered and bearer securities. As a result, the French market is not compliant with the T2S standard on Restrictions on Omnibus accounts” due to the obligation for Investor CSDs and their participants to replicate the account segregation requirement in their books down the holding chain; i.e. requirement to open two mirror

⁴ Corporate Actions Joint Working Group (CAJWG) standards

⁵ The two forms of the security are represented by a single ISIN.

accounts, one for bearer and one for registered securities mapped to the two omnibus accounts in Euroclear France. This mandatory replication down the holding chain presents a number of high impact functional/IT and non-standard operational challenges to the T2S community, hampering the T2S key objective of facilitating efficient harmonised cross-border settlement.

Volumetric measurements showed that there were around 500 affected cross-border transactions on fully registered securities per year. Furthermore, the opening of additional accounts for the servicing of French registered securities was, in many cases, imposed on Investor CSDs and their participants in order to comply with their respective client service level agreements (e.g. settlement services should be made available on all French securities independently of the legal form of the security). According to estimates, around 500 participants in Investor CSDs, which hold French securities, may be affected. This would translate into the need for these Investor CSDs to open 500 additional securities accounts for their clients in T2S.

The risk of non-achieving full compliance is high as there is not yet a defined implementation plan by the French market to achieve full compliance with the standard. No solution is expected in the short term (e.g. using separate ISINs for bearer and registered forms of a security as done by other markets), provided the legal nature of the requirement.

Given the above, the AMI-SeCo assesses the overall impact as medium. However, this assessment could change provided that the cross-CSD volumes of registered securities increase significantly in the future.

4.6.2 ID2S France

4.6.2.1. T2S Corporate Action Standards

FR (ID2S) non-compliance: T2S corporate action standards	
Overall impact	MEDIUM
<i>Severity (qualitative)</i>	<i>HIGH</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>HIGH</i>

ID2S, the French CSD that joined T2S in October 2018, has not yet provided information regarding its status of compliance with the T2S corporate action standards and have not been assessed by the CEG. Given the lack of complete information it is assumed that ID2S does not comply with the T2S corporate action standards.⁶ The severity of the non-compliance case is assessed as high.

As ID2S has not reached full scale operations their overall transaction numbers are very low (less than 10 transactions per month since joining T2S). Therefore, the affected volume of transactions is assessed to be low.

ID2S has communicated plans to secure full compliance. Still, the risk of not achieving full compliance is assessed to be high. According to ID2S, part of the non-compliance relates to the scope of activities currently foreseen in the CSD. ID2S processes corporate actions for mandatory reorganisations (Redemption only, securities issued at a discount) and Cash Distribution (Coupons where securities are issued with floating rate interest). Extending coverage for other Short-Term Debt Instruments may result in other CAEVs deemed in scope for ID2S model, but many CAEVs will remain out of scope as long as ID2S remains an Issuer CSD for Short-Term Debt Instruments. If the scope will be extended to cover other instrument types, then ID2S foresees to extend its product functionalities and to implement them per the AMI-SeCo Corporate Actions Standards.

Overall, the AMI-SeCo assesses the impact of this non-compliant case on the T2S community to be medium.

⁶ No update on the developments of compliance efforts for 2020 has been provided by ID2S, hence the impact evaluation is based on the information provided in the 2019 T2S Harmonisation Progress monitoring.

4.6.2.2. Availability and Restrictions on Omnibus accounts

FR (ID2S) non-compliance: Availability and Restrictions on Omnibus accounts	
Overall impact	MEDIUM
Severity (qualitative)	HIGH
Expected volume/frequency (quantitative)	LOW
Risk of not achieving full compliance	LOW

ID2S, the French CSD that joined T2S in October 2018 has not yet enabled the functionalities allowing for cross-border CSD access to its accounts (and hence cross-CSD settlement).⁷ The severity of the non-compliance case is assessed as high since allowing access by other CSDs is a cornerstone of T2S and the T2S harmonisation agenda.

As ID2S has not reached full scale operations for now, their overall transaction numbers are very low (less than 10 transactions per month since joining T2S). Therefore, the affected volume of transactions is assessed to be low.

ID2S has communicated its plans to enable its cross-CSD functionality and allow access by other CSDs by Q1 2020. Therefore, the risk of achieving non-compliance is assessed to be low.⁸

Overall, the AMI-SeCo assesses the impact of this non-compliant case on the T2S community to be medium.

4.7 Hungary

The Hungarian CSD (KELER) needed to re-plan its T2S Harmonisation Compliance plans in order to comply with the new set of market standards and legal requirements. The following plans have been approved by the Hungarian NSG in its meeting held in September 2019 with an original project deadline of March 2021. However, market participants requested an 8-month extension to the timeline and therefore KELER rescheduled its project in September 2020.

The current focus is on the system renewal project (KELER Service Development Program). The key aims of the Program are settlement related T2S harmonisation and CSDR compliance and the specification of the Program runs parallel with the Program's system developments. The specification was finalised in Q4 2020 and the interface specification was also published for the participants of KELER. Market tests are planned to start in Q2 2021 and run until the go-live in late November/early December 2021. As a result of the system renewal, KELER shall comply with T2S matching standards and introduce A2A interaction with T2S platform.

As for securing compliance with the T2S calendar standard the Hungarian market has confirmed its compliance by fully adopting the T2S calendar and schedule of the settlement day as of 2021. In particular, as of Q4 2021 KELER will accomplish the following:

- KELER will reach compliance with the T2S calendar by introducing a separate calendar for all T2S transactions
- KELER will provide operating hours for T2S transactions on Hungarian bank holidays and national holidays
- KELER will harmonise its operating hours within a business day with those of T2S, meaning that unified cut-off times will be introduced for settlement transactions in T2S and KELER
- KELER will submit eligible value-dated transactions into T2S night-time settlement, however, these transactions will be booked in KELER's system only when the next daytime settlement period starts at 4:45 am.

⁷ No update on the developments of compliance efforts for 2020 has been provided by ID2S, hence the impact evaluation is based on the information provided in the 2019 T2S Harmonisation Progress monitoring.

⁸ No update on the developments of compliance efforts for 2020 has been provided by ID2S, hence the impact evaluation is based on the information provided in the 2019 T2S Harmonisation Progress monitoring.

Due to the SRD requirements, in September 2020 partial compliance with CA Market Standards has been reached in connection with Golden Operational Record for listed equities. For other securities, compliance is planned to be reached by 2022 November. This date might be reviewed by the HU-NSG as a result of the postponement of the deadline for complying with AMI-SeCo CA standards.

In line with the decision of the HU-NSG, further Corporate Action related developments are to be performed in two phases. The first phase is planned to be carried out by November 2022 in order to comply with AMI-SeCo Corporate Action Harmonisation Standards for mandatory events. This development phase includes full compliance with T2S Corporate Action Standards and with CA Market Standards for Golden Operational Record, and compliance with CA Market Standards for non-elective events. Milestones for this development phase:

- Amendments in law (until 31/12/2021)
- Amendments in KELER's regulations (01/01/2022-31/03/2022)
- Operational model and processes finalization (01/01/2022-31/03/2022)
- KELER development, testing (01/09/2021-31/03/2022)
- Market testing (01/04/2022-30/10/2022)
- Introduction of MC for equities (until 31/11/2022)

KELER plans to implement the processing of elective corporate actions by end-2024. Therefore, the Hungarian market is expected to fully comply with CA Market Standards and AMI-SeCo CA Harmonisation Standards by that time.

Currently KELER does not have any cross-CSD link or DCP participant. Further, currently KELER settles in T2S only against payment instructions in euro, therefore non-compliance is relevant only for this subset of transactions.

4.7.1 T2S Matching fields

Hungarian market impact (migration wave 4: 6 February 2017)

HU non-compliance: T2S standard on matching fields	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>LOW</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The Hungarian market does not comply fully with the T2S standard on matching fields. Non-compliance is limited to a subset of intra-CSD settlement activity, where KELER continues to follow its current matching practices in its legacy platform, before sending the instructions to T2S in an already matched status.

The non-compliance is due to the fact that KELER does not use some of the T2S matching fields (and not due to the usage of some proprietary matching fields) when matching takes place in the legacy platform⁹. The non-compliance issue is not applicable when matching takes place in T2S, i.e. DCPs' or cross-CSD instructions, since this is only possible by following the T2S matching fields. This will result in low severity impact on the T2S Community.

The number of impacted EUR DVP transactions for the period from 16 August 2019 to 15 August 2020 was 184 The Hungarian market has committed to comply with this standard for all settlements by late

⁹ As a consequence and for some T2S matching fields, KELER will use default values: opt-out indicator (NOMC), ex-cum indicator (blank), common trade reference (blank), Client of the CSD participant (blank) when the instruction is submitted to T2S for settlement as "already matched". It should be mentioned that even if the default value of the opt-out field will be NOMC, the counterparties could indicate to KELER that this field is blank as well

November/early December 2021, in line with the rescheduled project plan for core system modernisation and the implementation of A2A connectivity to T2S.

Given the low volume and existing plan for implementation in the near future the AMI-SeCo assesses the overall impact as low.

4.7.2 Schedule for Settlement day and T2S Calendar

Hungarian market impact (migration wave 4: 6 February 2017)

HU non-compliance: T2S standard on schedule for the settlement day	
Overall impact	MEDIUM
<i>Severity (qualitative)</i>	<i>HIGH</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The Hungarian market does not fully comply with the T2S standard on schedule for settlement day. The non-compliance is due to the fact that KELER does not fully follow the T2S calendar, i.e. in that they are open on the 1st of May. The qualitative impact of this non-compliance is estimated as high since the timing in respect of sending settlement instructions to and receiving reports from T2S-relevant settlement processes will depend on the CSD participants' model for connectivity with T2S (DCP, user to application, etc.). As a consequence, if CSD legacy systems do not follow the T2S operating hours the CSD participants (investor CSDs, DCPs and indirectly connected parties (ICPs)) may not receive the same level of service.

The number of settlement instructions impacted is estimated to be low as KELER settles only EUR DVP transactions of securities with HU ISIN in T2S. KELER further highlights that these transactions cannot be settled when T2 is closed. The volume of impacted transactions is estimated to be similar to the expected impact of non-compliance with the T2S standard on matching fields, for which the number of impacted EUR DVP transactions for the period from 16 August 2019 to 15 August 2020 was 184.

The Hungarian market has committed to comply with this standard by December 2021, following the implementation of the system renewal project (KELER Service Development Program). Given the commitment to comply with the standard within 12 months of the publication of the 11th Harmonisation Progress Report the risk of achieving full compliance is assessed as low.

Given the high severity, low volume and existing plan for implementation in the near future the AMI-SeCo assesses the overall impact as medium.

4.7.3 T2S Corporate Actions standards

Hungarian market impact (migration wave 4: 6 February 2017)

HU non-compliance: T2S corporate actions standards	
Overall impact	MEDIUM
<i>Severity (qualitative)</i>	<i>MEDIUM</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>MEDIUM</i>

The Hungarian market does not comply fully with the T2S CA standards. The non-compliance refers to market claims on transactions in equities, which are not detected and generated by the Hungarian CSD (KELER). Furthermore, the Hungarian market has decided to opt-out, by default, from the generation of market claims and transformation until the introduction of the new system, which would allow A2A interaction with T2S.

Manual intervention is required by CSD participants to detect and generate market claims bilaterally where relevant. During the transitory period, the counterparties have to inform KELER for each transaction for which they would like CAs on flow to be generated. Due to the fact that KELER's only investor CSD link has been terminated in 2019 the qualitative impact on the T2S Community is estimated to be medium.

The number of settlement instructions impacted, i.e. the expected volume of non-generated market claims, is estimated to be very low. This is due to the fact that in practice almost all market claims that would need to be generated involve cash entitlements in the domestic currency (HUF), i.e. they have to be generated outside T2S. As a result, only transactions involving securities entitlements or cash entitlements in EUR are affected. The following estimates have been provided by the Hungarian market on the affected volumes:

- For HU-ISINs the estimated number of settlement instructions impacted by market claim and transformations – for FOP and HUF DVP pending transactions on RD is estimated to be around 400-600 per year for equities (mostly dividend payment in HUF) and 100-200 per year for bonds (mostly interest payments in HUF)
- The opt-out field will be populated by the counterparties, and not with a default opt-out indicator, as of the introduction of KELER's new A2A system. The introduction of their new A2A system has been postponed to late November/early December 2021 and the full compliance with the T2S CA Standards has now been rescheduled by end 2022.

Given the above, the AMI-SeCo assesses the overall impact of non-compliance as medium.

4.8 Italy

4.8.1 T2S interaction for tax info

This non-compliance case is listed here for the sake of completeness and consistency with the outcomes of the 2020 11th AMI-SeCo harmonisation progress report to which this non-compliance impact analysis is annexed. However, in so far as the AMI-SeCo mandated on 22 June 2018 the HSG to continue working on the review of this standard to allow the transmission of tax information in T2S settlement messages, the T2S Standard (4) on tax info requirement may evolve in the future.

At the current stage of the discussion, the Italian market does not fully comply with the T2S standard on tax info requirement for transactions related to portfolio transfers. According to the T2S standard on tax info requirement, tax-related information for domestic and cross-CSD transactions is not to be passed via T2S messages. However, the Italian market has defined a Market Practice to manage Portfolio Transfer through T2S. This market practice includes in T2S messages some details regarding the portfolio to be transferred, which are tax-related and can be used for calculating future taxation. These additional details are related to data stored at the level of the custodian bank who is delivering portfolio that are to be passed to the new custodian to guarantee continuity to the securities holder.

In transactions not related to portfolio transfers the Italian market fully complies with the standard. This also implies that the non-compliance case would be resolved once a common approach to portfolio transfers is agreed and, in line with the AMI-SeCo's decision in June 2018, the standard is potentially amended to take this common approach into account.

With a view to this and the ongoing discussion a formal impact assessment is not presented on this non-compliance case.

4.9 Luxembourg

Luxembourgish (LuxCSD) market impact (Migration wave 4: 6 February 2017)

LU (LuxCSD) non-compliance: T2S corporate actions standards	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>LOW</i>
<i>Expected volume/frequency (quantitative)</i>	<i>MEDIUM</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The Luxembourgish (LUX CSD) market is not compliant with Buyer Protection Standard no 10 of the T2S corporate action standards.

The lack of full compliance stems from the fact that the key Buyer Protection dates are not yet notified although the CSD is technically ready to transmit this information in the CA notifications. Buyer Protection deadlines cannot be complied with if the CSD does not notify Buyer Protection dates. In order to facilitate a bilateral Buyer Protection process between counterparties, LuxCSD has published in October 2019 a final version of Buyer Protection invocation template agreed by CAJWG and T2S CASG as well as all the requirements of the market and T2S Buyer Protection standards, including the agreed timeline.¹⁰ Generally, the non-compliance with these standards by T2S markets could hamper the efficient management of corporate actions on flows, especially in the context of cross-CSD settlement. In the case of LUX CSD, and the qualitative impact of non-compliance is estimated as low.

The current proposal under discussion by the market is that LuxCSD calculates such dates as per standards and notify the participants accordingly. This notification will be subject to market validation with subsequent implementation.

The expected volume of transactions affected by the non-compliance is medium.

Based on the above, the overall impact of the non-compliance is assessed as low.

4.10 Netherlands

Euroclear (NL) market impact (migration wave 3: 12 September 2016)

NL non-compliance: T2S corporate actions standards	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>MEDIUM</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The Dutch market (Euroclear Nederland) complies with all T2S CA standards, except with Transformation Standard 9, Transformation Standard 11 and Market Claims Standard 11. Euroclear (NL) intends and plans to be fully compliant by 15 March 2021, with Euroclear Nederland (the IOC in Netherlands) migrating mandatory events to its new CA platform.

For Market Claims Standard 11 and Transformations standard 11 the rounding down requirement is met, however not fully in the case of cash compensation:

- If the reference price is not known before the end of Record Date, Euroclear Nederland does not generate the required PFOD transaction.

¹⁰ For more details please refer to the LuxCSD website: <https://www.luxcsd.com/luxcsd-en/products-and-services/assetservices/119023-1642862>

- If the reference price is known at Record Date, Euroclear Nederland does not compensate the fractional part related to stock distribution.

For Transformations standard 9 Euroclear Nederland currently does not support multiple outturns in case of mandatory events and further does only generate transformed instructions if the ratio is 1 for X securities.

As a consequence of the non-compliance, participants in investor CSDs linked to Euroclear Nederland would not be able to process some types of market claims and transformations instructions fully according to the T2S CA standards. The AMI-SeCo has assessed that this non-compliance translates into a medium impact (severity) for T2S CSDs and their participants since the affected actors have to continue to support non-standard and manual processing for managing some transformation instructions generated in the Dutch market.

In terms of the affected volumes, regarding the non-compliance on Transformation Standard 9, the exact number of affected instructions is estimated as low, because the occurrence of multiple outturns for mandatory events is rare on the Dutch market. Furthermore, the cross-CSD volumes are estimated to be low due to the few existing CSD links between Euroclear Netherland and the other CSDs in T2S.

Full compliance with all T2S CA standards is planned for Q1 2021 as Euroclear Nederland migrates mandatory events to its new CA platform.

Given the low volume and existing plan for implementation in the near future the AMI-SeCo assesses the overall impact as low.

4.11 Slovakia

4.11.1 NCDCP

4.11.1.1. T2S standard on matching fields

Slovakian market (NCDCP) impact (migration 30 October 2017)

SK (NCDCP) non-compliance: T2S standard on matching fields	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>LOW</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The Slovakian market (NCDCP) does not comply fully with the T2S standard on matching fields. In particular, matching in the legacy system of NCDCP is not compliant with the T2S standards, because the transaction code is a mandatory matching field in order to prevent incorrect intra-CSD matching of e.g. ordinary OTC trades with securities transfer stemming from inheritance, matching of instruction with available securities with instruction with pledged securities, etc.

Therefore, NCDCP's participants wishing to use these market specific operations, i.e. securities in co-ownership and pledged securities, have to do it via sending their settlement instructions in Indirectly Connected Parties (ICP) mode to the legacy system of NCDCP. Following matching in NCDCP, "already matched instructions" will be sent to T2S for settlement. However, the impact can be considered low for DCPs and Investor CSDs in T2S, which decide not to engage in cross-border business with securities held in co-ownership in NCDCP. Furthermore, what limits the negative impact is that currently NCDCP has only one link with the other Slovakian CSD – CDCP SR.

The number of such transactions with securities held in co-ownership and pledges for the period from 16 August 2019 to 15 August 2020 was 0.

The risk of not achieving full compliance is estimated to be low since NCDCP plans for full compliance by June 2021.

Based on the above, the Slovakian market's non-compliance is assessed by the AMI-SeCo as having a low overall impact on the T2S Community.

4.11.1.2. T2S Corporate Action Standards

Slovakian market (NCDP) impact (migration 30 October 2017)

Slovakian (NCDP) non-compliance: T2S corporate actions standards	
Overall impact	LOW
<i>Severity (qualitative)</i>	<i>LOW</i>
<i>Expected volume/frequency (quantitative)</i>	<i>LOW</i>
<i>Risk of not achieving full compliance</i>	<i>LOW</i>

The Slovakian market (NCDP) does not comply with the T2S CA standards on transformations and buyer protection and complies with only 68% of the T2S CA standards on market claims. In particular, currently NCDP does not do transformations (by cancelling and replacing) transactions and has not implemented the Buyer Protection Standards.

The non-compliance of the Slovakian CSD in a cross-CSD scenario may result in lack of matching of instructions related to transformations if the other CSD generates the instructions in accordance with the standards. Similarly, standardised BP will not be possible in T2S for NCDP participants. Thus, there is a high severity in the case of non-compliance.

In terms of the affected volumes, the affected volume for the period from 16 August 2019 to 15 August 2020 is zero.

The Slovakian market (NCDP) plans to become fully compliant with the T2S CASG standards by the second quarter of the year 2021.

Based on the above, the Slovakian market's (NCDP) non-compliance is assessed as having a low overall impact on the T2S Community.

5. Migrating T2S Market

Markets that are in the process of migrating to T2S are not deemed non-compliant until it becomes certain that they will not comply with any of the T2S standards by their date of migration. However, it is considered useful to note the areas where potential non-compliance may arise based on the information and plans communicated by such markets.

5.1 Finland

Euroclear Finland has commenced the process for the migration of the Finnish market to T2S and has indicated its preference¹¹ to the MIB for migrating in September 2023. Before the migration date can be confirmed the MIB in collaboration with the CSG/NECSG will assess this request on the basis of an impact analysis to be provided by the relevant T2S technical groups (primarily CRG, PMG and OMG). The final migration date, following the analysis conducted by Euroclear Finland, remains still to be agreed at the T2S Steering Level, i.e. Market Infrastructure Board (MIB) and T2S CSD Steering Group (CSG).

The Euroclear Finland settlement model, as direct holding market, has not given rise to any blocking issues to migrate to T2S with its full set of securities accounts. However, the substantial increase of securities accounts will require an update of Service Level Agreement provisions and possibly create some constraints on the operating model for Euroclear Finland. The potential impact and technical adjustments needed to ensure a smooth migration is being analysed by Euroclear Finland, the ECB and the 4CB as operators of T2S. As part of this analysis detailed user testing, migration testing and volume testing will be conducted at different stages¹².

Below you can find a brief overview of the Standards where further work will be necessary before the Finnish market reaches full compliance. However, as technical details and functionality are still to be determined following the analysis by Euroclear Finland, the ECB and the 4CB, a detailed impact analysis will not take place until all details for the migration have been finalised.

5.1.1 T2S Corporate Action Standards

Functionalities for Market Claims are in place in Euroclear Finland but not supported for dividend payments since dividends are not paid in CeBM. Implementing CeBM payments for dividends requires major technical changes and will happen after the migration to T2S. Among the Transformations Standards only Transformations Standard 2 (rule of 20 detection days) remains to be implemented, intended to be implemented when Euroclear Finland joins T2S. The implementation of Buyer Protection Standards is pending on the update of Market Practice and further approval of Market Participants. The manual Buyer Protection will be implemented before Euroclear Finland joins T2S.

The non-compliance with the above T2S Corporate Actions standards is not expected to constitute in itself an obstacle to migrate to T2S, but it will trigger a deeper impact analysis to be conducted by the AMI-SeCo.

5.1.2 Restrictions on omnibus accounts

According to applicable EU and Finnish national level legislation, participants are required to offer both segregated and nominee accounts for their clients. Finnish investors are obliged to maintain their Finnish securities' holdings in a segregated account.¹³ In compliance with the legal requirements, participants in the Finnish CSD need to be able to operate both account types, in addition to being obliged to comply with other relevant rules in the finance sector, including but not limited to tax laws, companies legislation, settlement finality and proprietary laws. The participation requirement is same and equal to all participants regardless of their nationality. Full compliance requires legislative and regulatory changes, currently not

¹¹ While also taking into account a stabilisation period to avoid contention with the T2-T2S consolidation project implementation and pending further confirmation from market consultations.

¹² User Testing aims at ensuring that Euroclear Finland's internal systems and the Finnish Community are adapted to interact with T2S in an efficient manner. Migration Testing aims at validating the sequence of activities, the data quality and time estimates. Volume testing aims at ensuring that T2S processing and Euroclear Finland processing will run smoothly after the go-live.

¹³ For more details see Finnish Act on the book-entry system and settlement operations (348/2017) and Finnish Act on Book-Entry Accounts (827/1991).

foreseen before the Euroclear Finland migration to T2S. However, all securities accounts (incl. the owner accounts) will be T2S eligible and thus, the requirements set forth in the Finnish legislation will not impact Finnish market's migration to T2S or production usage of T2S.

6. AMI-SeCo proposals to MIB

It is recalled that, at the time when the T2S Board (now MIB) endorsed the T2S harmonisation standards compliance framework back in 2013, the T2S stakeholders considered “*the standards as mandatory, since they have taken a commitment to comply with the standards vis a vis the rest of the T2S community. Any situation of non-compliance with harmonisation standards should thus be exceptional and motivated by a barrier that the various actors in a specific T2S market are not able to remove*”. With this agreed principle in mind, the AMI-SeCo would like to stress the importance of stepping up efforts towards achieving full compliance soon, in order to enable markets to reap fully the benefits from cross CSD processes in T2S.

To this end, and in line with the agreed potential measures to be taken¹⁴, *the AMI-SeCo proposes to the MIB in parallel to approving the eleventh harmonisation progress report (2020), the below course of action for each respective non-complying T2S market.*

Based on the AMI-SeCo advice, the Market Infrastructure Board took the following decisions¹⁵:

The Market Infrastructure Board will continue to monitor, with the help of the AMI-SeCo and the ECB team, the implementation plans of all markets covered in the impact analysis report. The ECB team will report on the monitoring results and any other relevant developments to the MIB during its meetings.

Austria

T2S Corporate Actions Standards

Given the medium severity of non-compliance, low volumes and lack of an implementation plan for full compliance, the MIB:

- confirmed the medium overall impact on the rest of the T2S Community;
- based on feedback received from the Austrian market took note of the ongoing discussion and analysis in the market. Furthermore, the MIB maintained its position in encouraging the Austrian market to develop a plan for full compliance with the remaining T2S CA Standards.

Belgium - Euroclear Belgium

T2S Corporate Actions Standards

Given the medium severity of non-compliance, low volumes and existing implementation plan for full compliance, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;
- took note of the Belgian market’s (Euroclear Belgium) plan for compliance with the T2S Standards on corporate actions.

Switzerland

T2S Corporate Actions Standards

Given the low severity of non-compliance, low volumes and lack of an implementation plan for full compliance, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;

¹⁴ As agreed by the MIB, this could entail ex ante measures, such as raising awareness of the impact analysis results to the non-compliant market, escalating bilaterally with the relevant actors in the non-compliant market or escalating the matter to the Governing Council of the ECB, and ex post measures, such as postponing the deadline for compliance of the T2S market in question, if there is satisfactory evidence that the T2S harmonisation standard(s) will be met or considering measures of limiting the asymmetry of non-compliance with the complying T2S markets.

¹⁵ MIB-WP-2021-008.

- based on feedback received from the Swiss market took note of the ongoing discussion and analysis in the market. Furthermore, the MIB maintained its position in encouraging the Swiss market to develop a plan for full compliance with the remaining T2S CA Standards.

Germany

T2S Corporate Actions Standards

Given the low severity of non-compliance, high volumes and existing implementation plan to improve compliance, the MIB:

- took note of the German market's achieving full compliance with the T2S Standards on market claims with high impact on the T2S community;
- confirmed the low overall impact of the remaining T2S Standards on the rest of the T2S Community and took note of the German market's plans for achieving full compliance with several of these standards. Based on feedback received from the German market the MIB highlighted the importance of ensuring full compliance with all remaining T2S CA Standards and encouraged the German market to develop a plan to achieve this.

Spain

T2S Matching fields

Given the medium severity, high volume and lack of plan to achieve full compliance, while taking note of the on-going discussion within the AMI-SeCo HSG, the MIB:

- confirmed the high potential overall impact on the rest of the T2S Community;
- took note of the ongoing discussion in the Harmonisation Steering Group on the impact of the non-compliance on non-Spanish stakeholders.

France – Euroclear France

T2S Corporate Actions Standards

Given the medium severity of non-compliance, low volumes and existing implementation plan for full compliance, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;
- took note of the French (Euroclear France) market's plan for full compliance with the T2S Standards.

T2S Standard on Restrictions on Omnibus Accounts

Given the high severity of non-compliance, low volumes and lack of an implementation plan for full compliance, the MIB:

- confirmed the medium overall impact on the rest of the T2S Community;
- reiterated its invitation to the French market (Euroclear France) to develop a plan for full compliance with the T2S Standard on Omnibus Account.

France – ID2S

T2S Corporate Actions Standards

Given the high severity of non-compliance, low volumes and lack of updates regarding an implementation plan for full compliance, the MIB:

- reiterated its invitation to the French market (ID2S) to develop a plan for full compliance with the T2S Standard on corporate actions.

T2S Standard on Availability and restrictions on Omnibus Accounts

Given the high severity of non-compliance, low volumes and lack of updates regarding an implementation plan for full compliance, the MIB:

- reiterated its invitation to the French market (ID2S) to develop a plan for full compliance with the T2S Standards on Omnibus Account availability and restrictions.

Hungary

T2S standard on schedule for settlement day and T2S calendar

Given the high severity, low volume and existing implementation plan to achieve full compliance, the MIB:

- confirmed the medium overall impact on the rest of the T2S Community;
- took note of the Hungarian market's plan for full compliance with the T2S Standard on schedule for settlement day and T2S calendar.

T2S corporate actions standards

Given the medium severity of non-compliance, low volume and existing implementation plan to achieve full compliance with all T2S corporate action standards, the MIB:

- confirmed the medium overall impact on the rest of the T2S Community;
- took note of the Hungarian market's plan for full compliance with the remaining T2S CA Standards.

T2S standard on matching fields

Given the low severity, low volume and existing implementation plan to achieve full compliance, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;
- took note of the Hungarian market's plan for full compliance with the T2S Standard on matching fields.

Luxembourg

T2S corporate actions standards

Given the low severity of non-compliance, medium volume and existing implementation plan to achieve full compliance with all T2S corporate action standards, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;
- took note of the Luxembourgish market's plan for full compliance with the remaining T2S CA Standards.

Netherlands

T2S Corporate Actions Standards

Given the medium severity of non-compliance, low volumes and existing implementation plan for full compliance, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;
- took note of the Dutch market's plan for full compliance with the remaining T2S CA Standards.

Slovakia - NCD CP

T2S standard on matching fields

Given the low severity of non-compliance, estimated low volumes and existing implementation plan for full compliance, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;

- took note of the Slovakian market's (NCDCP) plan for full compliance with the T2S standard on matching fields.

T2S Corporate Actions Standards

Given the low severity of non-compliance, low volumes and existing implementation plan for full compliance, the MIB:

- confirmed the low overall impact on the rest of the T2S Community;
- took note of the Slovakian market's (NCDCP) plan for full compliance with the remaining T2S CA Standards.