

Catalogue of CSDs' Restriction Rules and their Cross-Border Impact Assessment – Review of the Methodology

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DG-Market Infrastructure and Payments European Central Bank







Current Methodology – Objective

Is the business process and underlying service provided by the Issuer CSD necessary for the Investor CSD to service its participants?

How difficult is for Investor CSDs to implement the controls defined by an Issuer CSD?

Measure the potential impact of the restriction rules defined by an Issuer CSD on Investor CSDs

What is the potential impact for the participants of the Investor CSD if the controls are not implemented?







Current Methodology – Overview (1/3)

Criterion 1 – Character of the service / process

Possible values: Necessary / Optional

Criterion 2 – Effort of implementing the controls in Investor CSD's own structure

Possible values: Not available / High / Medium / Low / None

Criterion 3 – Potential impact of not implementing controls in Investor CSD's own structure

Possible values: High / Medium / Low / None







Current Methodology – Overview (2/3) Combination of criteria and statuses

Necessary Service or Process		Risk of not implementing controls			
		High	Medium	Low	None
Effort of implementing Controls	Not available				
	High				
	Medium				
	Low				
	None	- (*)	-	-	





Current Methodology – Overview (3/3) Combination of criteria and statuses

Optional Service or Process		Risk of not implementing controls				
		High	Medium	Low	None	
Effort of implementing Controls	Not available					
	High					
	Medium					
	Low					
	None	-	-	-		







Proposal for changing the Methodology

Each colour is associated to an unique set of impacts

Remove
Criterion 1 and
have only one
color-coded
matrix for all
business
process

The objective can be achieved without criterion 1

Simplification of the methodology





Motivation for updating the current Methodology

The categorisation of services is done at the level of the business process and not at the level of the restriction rules.

Operational Procedures
Necessary

Some restriction rules do not have an impact on INV CSDs' settlement flows & their replication by INV CSDs is not necessary, e.g. restrictions used by CSDs to bypass other restriction rules

Static Data Configuration
Optional

Some restriction rules reduce the scope of functionalities in T2S as regards the management of securities sub-positions, e.g. some CSDs do not allow segregation of securities positions by blocking and reservation restriction types

On those concrete examples the different color-coded representation based on the "necessary/optional" categorisation could be misleading







Proposal for the new color-coded matrix (1/3)

Criterion 2 – Effort of implementing the controls in Investor CSD's own structure

Possible values: Not available / High / Medium / Low / None

Criterion 3 – Potential impact of not implementing controls in Investor CSD's own structure

Possible values: High / Medium / Low / None







Proposal for the new color-coded matrix (2/3)

		Risk of not implementing controls				
		High	Medium	Low	None	
Effort of implementing Controls	Not available					
	High					
	Medium					
	Low					
	None	- (*)	- (*)	- (*)		



(*) Impossible combination

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Proposal for the new color-coded matrix (3/2)

Not available – High/Medium: In the cases where a process is not available to Investor CSDs due to market access restrictions in the Issuer CSD, the impact on the restriction rules associated to these processes is classified as "High/Medium".

Not available – Low/None: In the cases where a process is not available to Investor CSDs due to other reasons than market access restrictions in the Issuer CSD, the impact on the restriction rules associated to these processes is classified as "Low/None".







Thank you for your attention

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