

OUTCOME
**ADVISORY GROUP ON MARKET INFRASTRUCTURES FOR SECURITIES AND
COLLATERAL (AMI-SeCo) AD HOC MEETING ON T2S PRICING REVIEW**

17 May 2018

From 13:30 until 16:30 CET

Meeting Room C3.08/09

European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main

0. Introductory remarks and approval of the agenda

The Chair welcomed the members. The members agreed on the agenda.

1. T2S pricing review

The Chair reminded that information circulated as confidential for the discussion on the T2S pricing review should be treated as such to ease the decision making process.

The ECB presented an updated proposal for the potential review of the T2S pricing level, taking into account the feedback received around the 8 May 2018 preparatory workshop with a sub-set of AMI-SeCo participants.

Following the comments of some members, the ECB:

- recalled that the T2S price structure is based on the cost-approach, i.e. not charging to influence behaviours but to recover costs unless such an approach has unintended consequences on behaviours. From the feedback received so far, it was understood that such approach was appreciated.
- clarified that with the end of migration (with a delayed migration that contributed to higher complexity and operational costs) and the implementation of the T2-T2S consolidation project, the cost estimation will go back to the same magnitude as estimated in 2010.

- stressed that the ambition is not to review the price conditions frequently. The only external parameter subject to evolution is the volumes which may impact the price upwards or downwards. Other elements (cyber-resilience requirements, new cost situation including consolidation savings) are based on the improvements already decided for implementation or represent a correction of the past situation (loss of revenues due to late migration).
- clarified that this new proposal does not include any change to the information services fee.

On the basis of the updated proposal, the AMI-SeCo raised the following points as part of its market advice to the MIB. The MIB will finalise on this basis, and taking into account the advice of other relevant ESCB committees, the proposal for further submission to the ECB Governing Council.

The AMI-SeCo generally supported the revised proposal for T2S pricing review with the following amendments to the presentation:

- the 15 eurocent (current DVP price) and the proposed 1.2 eurocent increase (cyber resilience) represent business as usual while the proposed 0.8 eurocent increase represents a correction linked to the loss of revenues due to the delayed migration.
- adjustments to the DVP price can be made downwards provided that volumes increase above the new volume growth baseline over a significant period.

The AMI-SeCo suggested to present the proposal distinguishing between 19.5 eurocent and a 4 eurocents add-on linked to the volume developments, while the 23.5 eurocent remain the basis for the pricing structure.

On this basis, a letter presenting the AMI-SeCo advice will be prepared and published.

Besides this market advice, AMI-SeCo could discuss on further actions to increase volumes in T2S going forward. This work would in particular rely on an analysis of the split between asset classes and the main drivers for the shortfall as compared to the initial estimates. A call for interest for a workshop will be issued by the AMI-SeCo Secretariat.

2. AOB

The AMI-SeCo acknowledged the importance of and supported the need for appropriate treatment of balance sheet netting in terms of repo settlement in T2S.