

Global Reference Group

Topics: Participation Roles and
Target Settlement Model



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December 20, 2024

Agenda – Global Reference Group

December 20, 2024

1. Welcome
2. Harmonisation of participants roles
3. Settlement
4. Next steps and AOB



Welcome



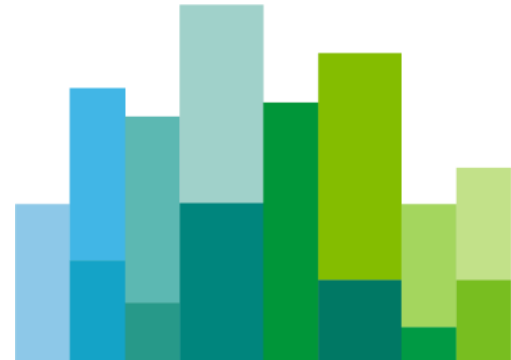
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Harmonisation of Participation Roles



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Harmonisation of roles (1/3)

- The aim is to harmonise the roles across the 4 CSDs. Work is ongoing across the 4 CSDs to harmonise roles.
- Adoption of the roles already used in T2S.
- Aligning roles across all domains in Euronext Securities; Issuance, settlement, Corporate Action etc.
- An analysis of each role and what related rights / attributes, services there must be assigned the role and the dependencies between the roles is pending
- An entity can have different and several roles to one single access
- Roles that today are part of local regulation is being analysed with legal and regulators.
- Roles there are only technical can be attributes in future roles (for example datacentres).

Harmonisation of roles (2/3)

Participant roles in T2S:

ICP: Indirectly Connected Participant

DCP: Directly Connected Participant

Clients can choose to be an ICP or DCP in T2S in all four CSD*

* Depends on the T2S decision in the Norwegian market.

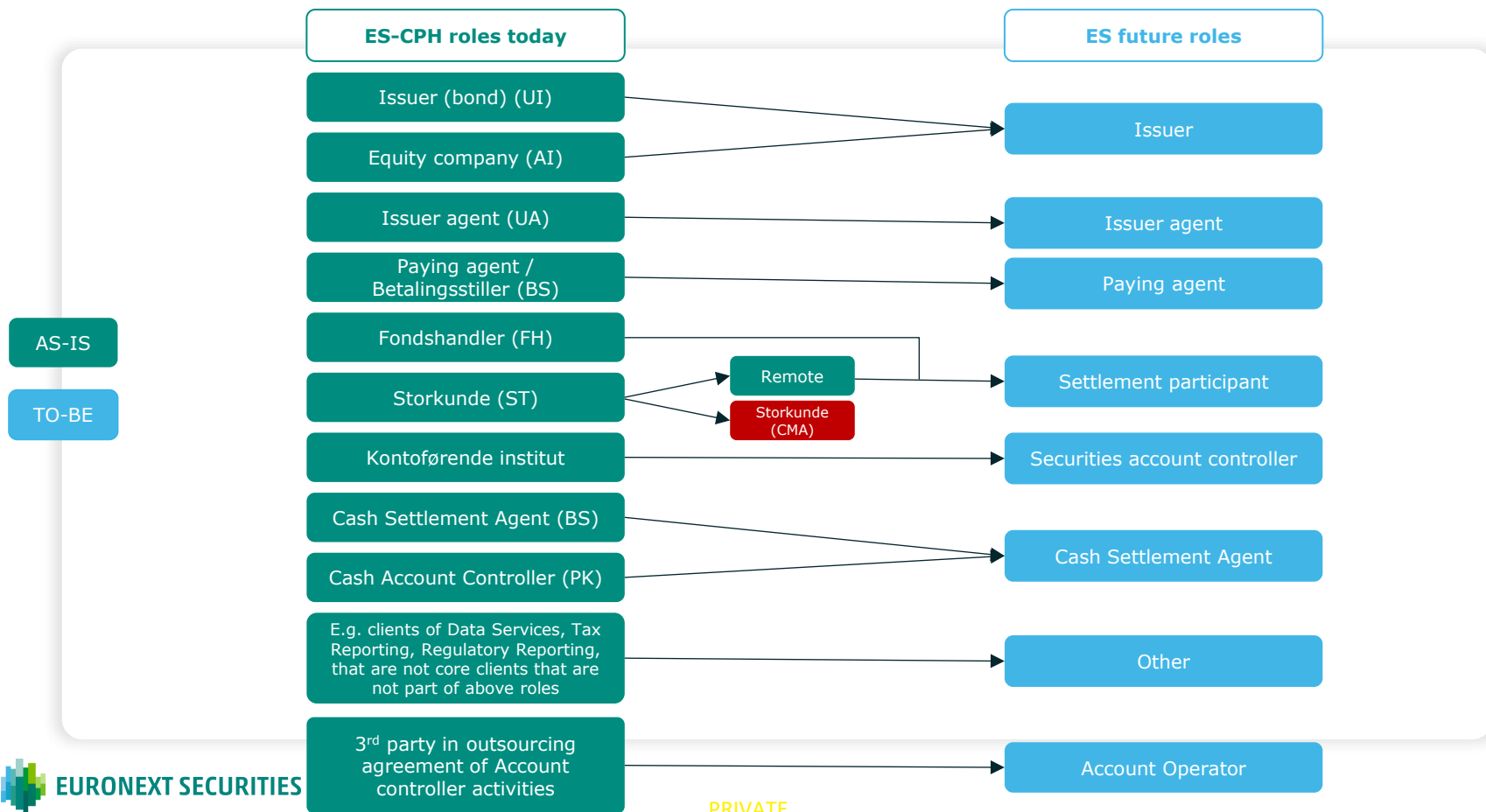
Harmonisation of roles (2/3)

Participant roles in Euronext Securities**:

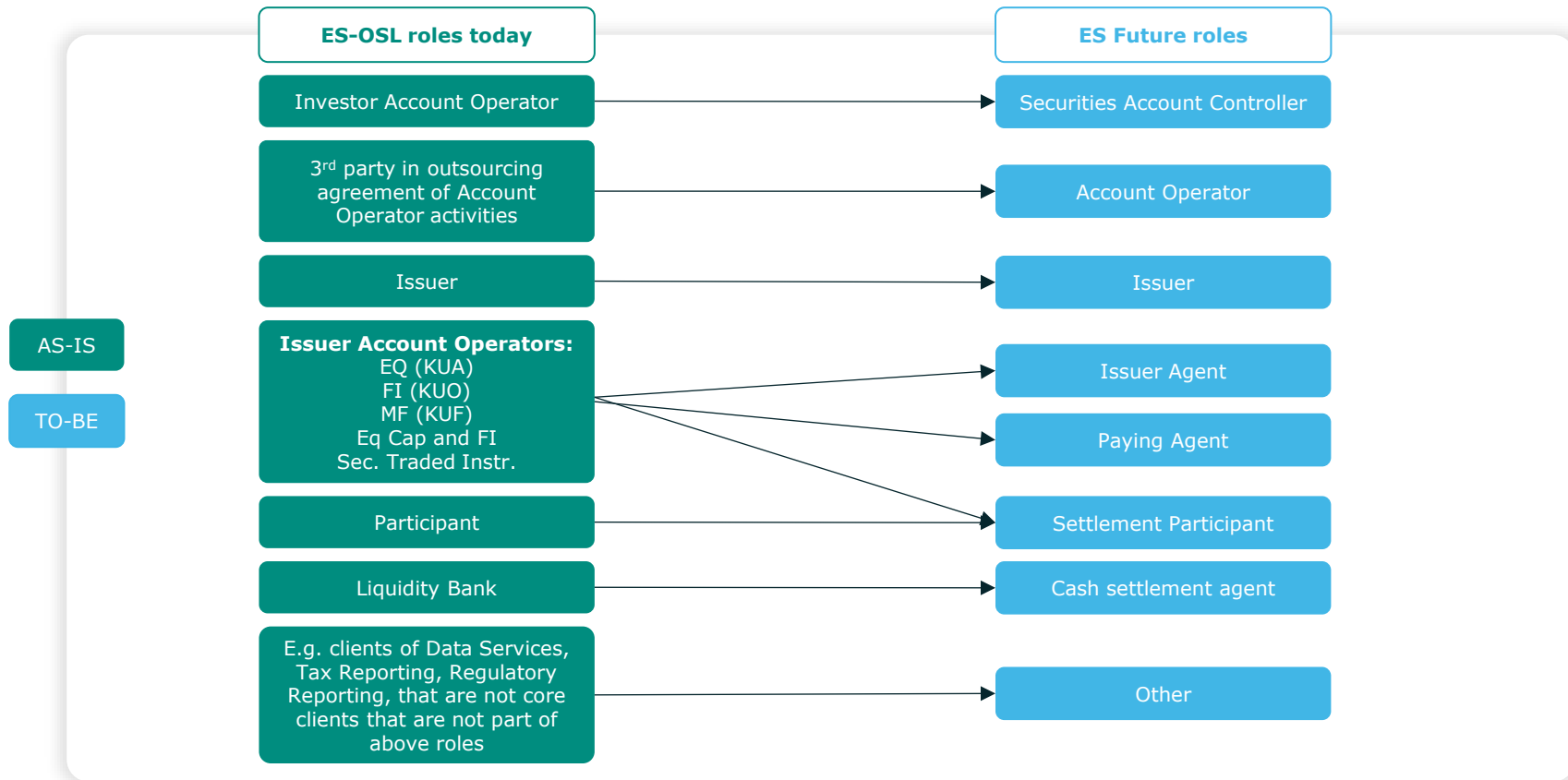
- **Issuer:** An issuer is a legal entity that issues securities to finance its operations (for example bonds, Equities, SIPs).
- **Issuer agent:** an Issuer Agent is an entity to whom the Issuer has delegated all or parts of its activity with Euronext Securities
- **Paying agent:** An entity appointed by an issuer of securities, responsible for collecting the cash from the Issuer and for distributing cash to be paid to eligible account holders, and vice-versa, in connection to Corporate Action management and new issuance.
- **Securities account controller:** An entity that manages a securities account on its own behalf or on behalf of other Investors
- **Account operator:** Account Operator acting on behalf of an Account Controller as a third party
- **Settlement participant:** An entity participating in the Settlement service provided by Euronext Securities
- **Cash settlement agent:** Entity appointed to carry out cash settlement on behalf of a participant in the Settlement Services and cash settlement in other payment systems.
- **Other:** Any entity not covered by specific Euronext Securities roles (e.g., info providers for Data Services, regulators for Regulatory Reporting, etc.)
- **Roles related to Fund Hub:** Roles related to Fund Hub will be presented with the Fund Hub solution

** List is not final - further analysis across domains is ongoing.

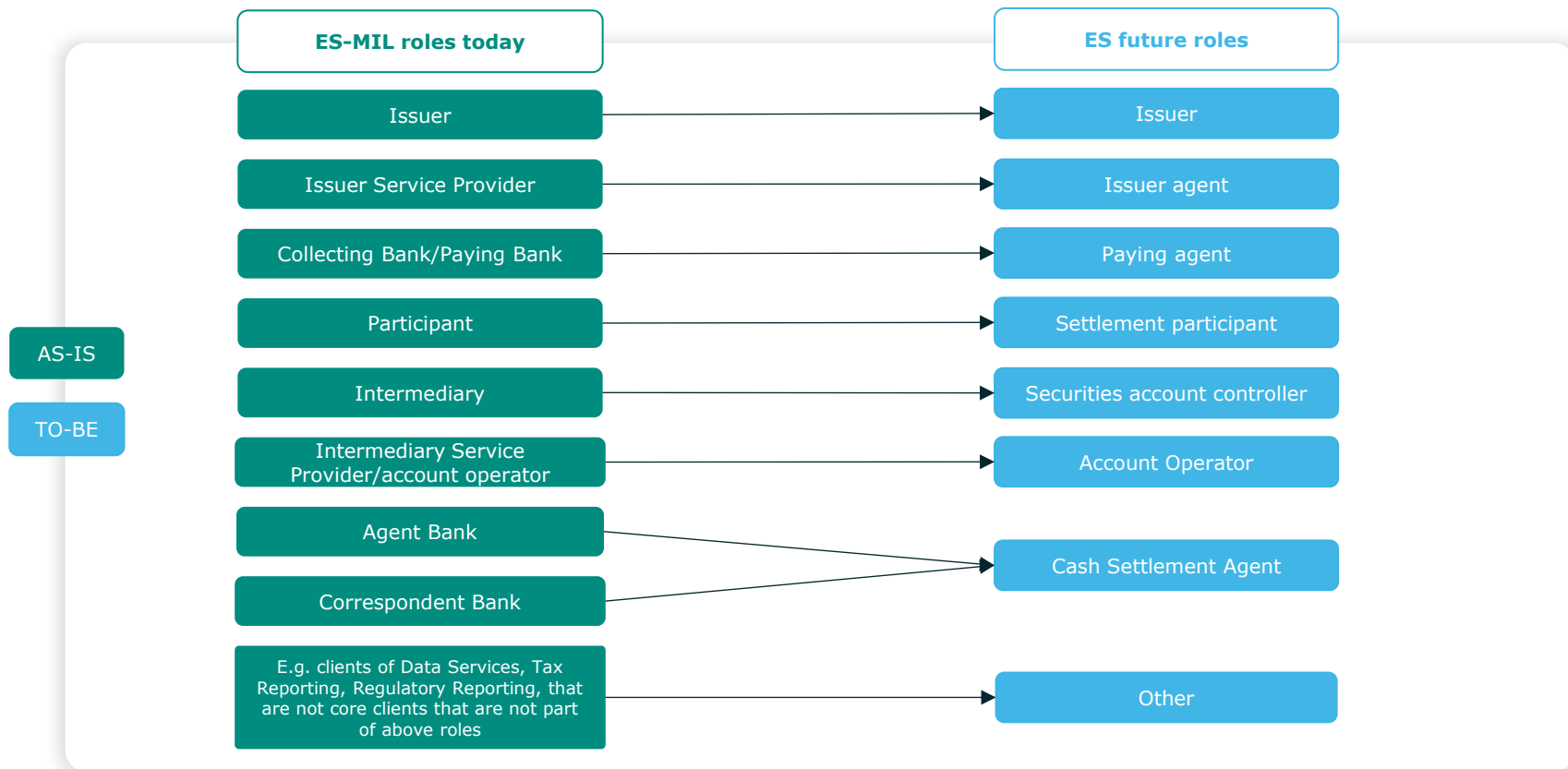
ES-CPH roles



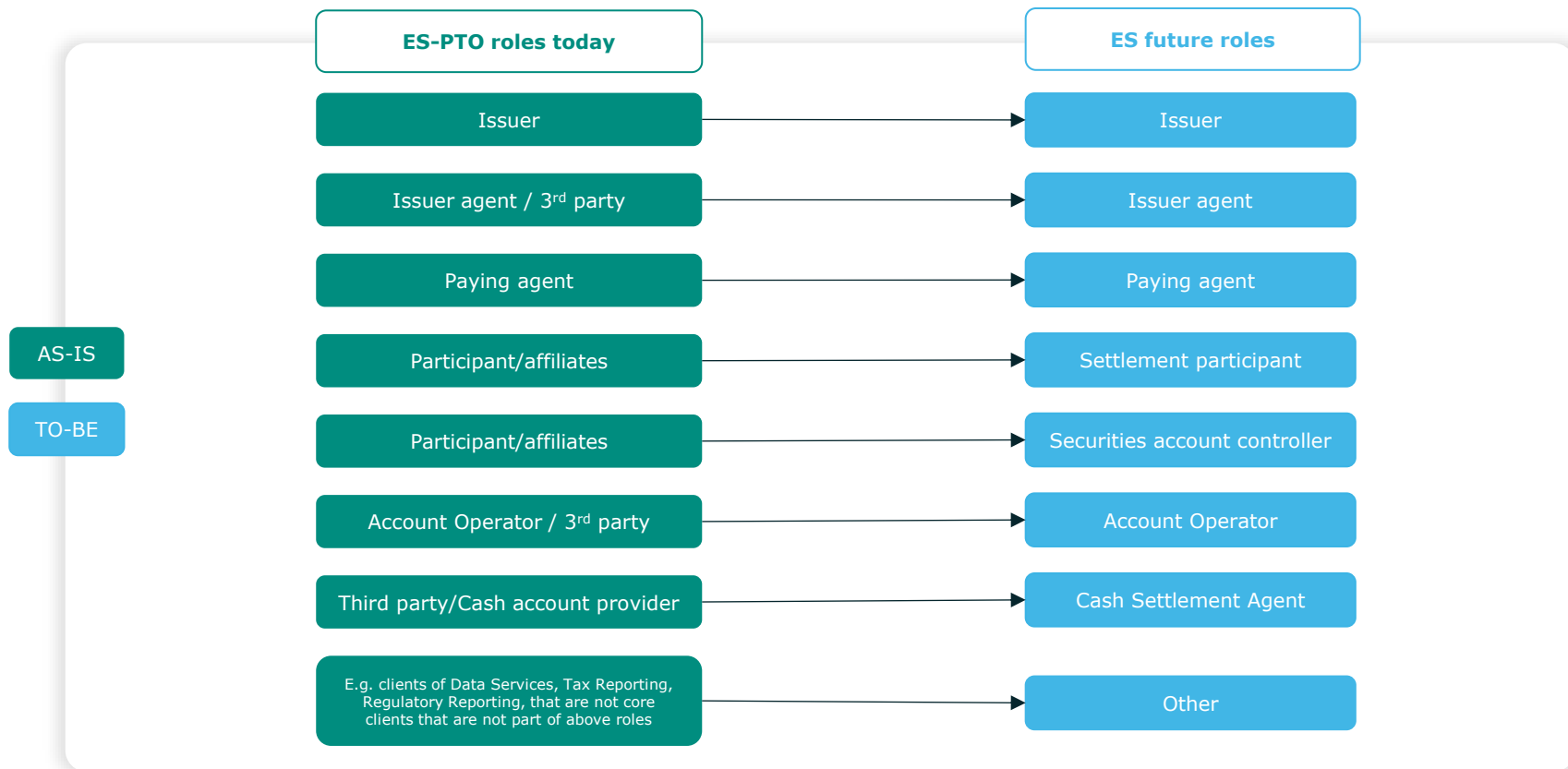
ES-OSL roles



ES-MIL roles



ES-PTO roles



Settlement



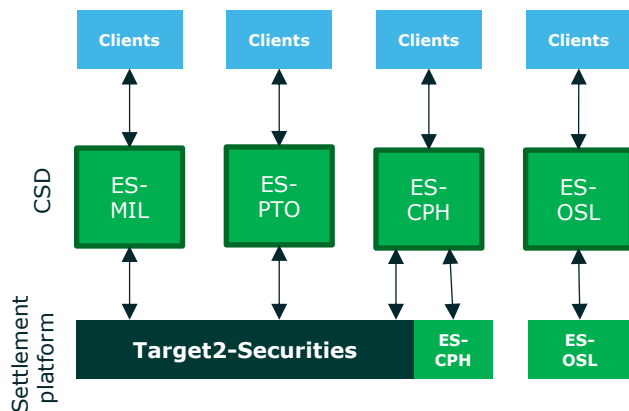
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Target Model

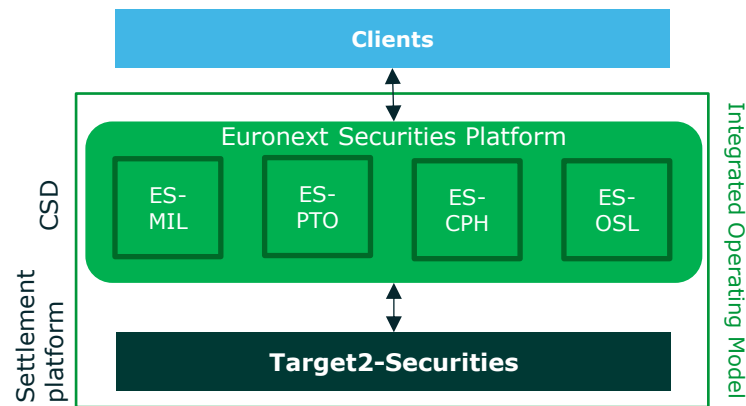
As is:

- 4 CSDs
- 4 Securities Settlement Systems
- 4 Platforms
- 4 Operating Model
- 4 Client connectivity and interaction
- 2 level of account segregation



To be:

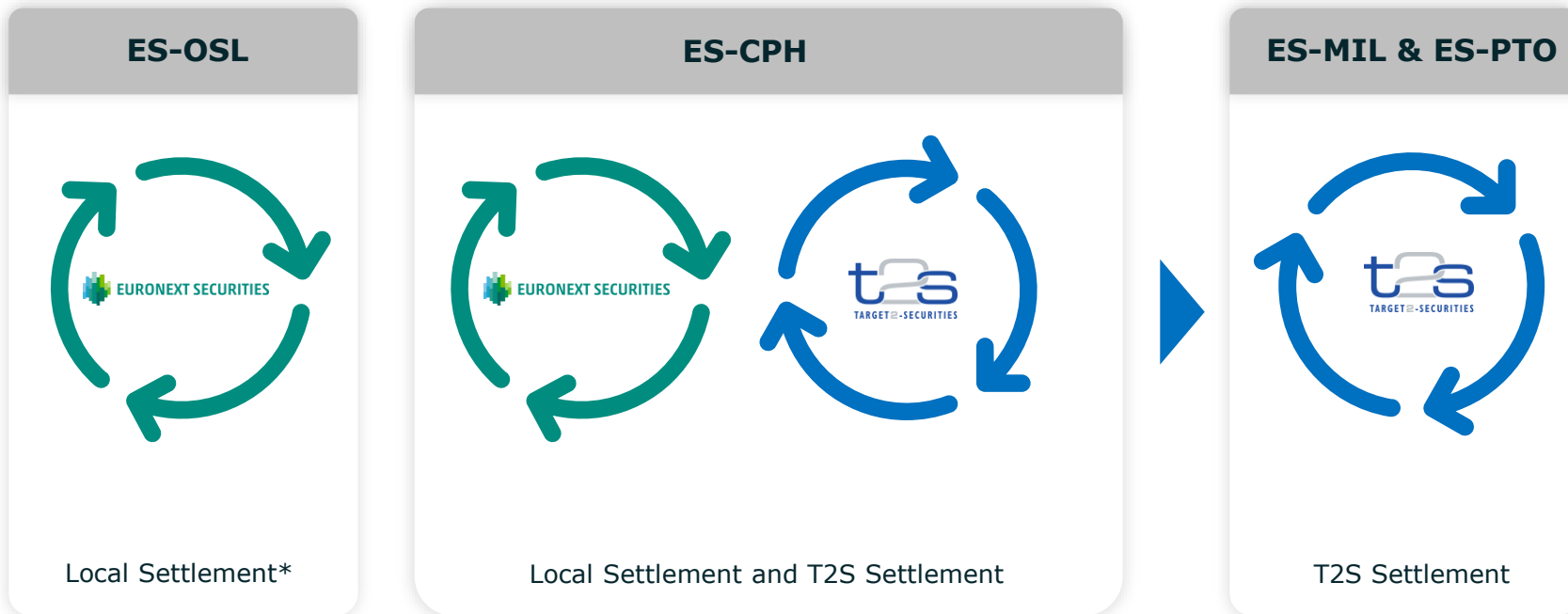
- 4 CSDs
- 4 Securities Settlement Systems
- **1 Platform**
- **1 Operating Model**
- **1 Client connectivity and interaction**
- 2 level of account segregation



From Reference Group
meeting 5 December 2024

Towards one settlement model

First step is to move the Danish Market to go for full T2S Settlement



The four markets

High-level overview

ES-CPH

- Segregated market (moving to omnibus)
- Local settlement platform
- T2S
- DKK, EUR, SEK settlement
- Rights of pledged on CSD level
- Securities with turnover limitation (appr. 150)
- No investor CSD links

Connectivity

- Communication in proprietary format, ISO 15022 and ISO 20022
- Support of ICP and DCP

**4m securities accounts
42,2m instructions (2023)**

ES-MIL

- Omnibus market
- T2S
- EUR settlement
- X-TRM (trade orders routed to the CSD)
- 13 investor CSD links
- External settlement towards ICSDs and other non-T2S CSD

Connectivity

- Communication in proprietary format, ISO 15022 and ISO 20022
- Support of ICP and DCP

**5k securities accounts
59,4m instructions (2023)**

ES-OSL

- Segregated market (by law for Norwegian residents and entities)
- Local settlement platform
- NOK settlement
- Rights of pledged on CSD level
- No investor CSD links

Connectivity

- Communication in ISO 15022 and ISO 20022
- Support of ICP and DCP

**1,6m securities accounts
20,1m instructions (2023)**

ES-PTO

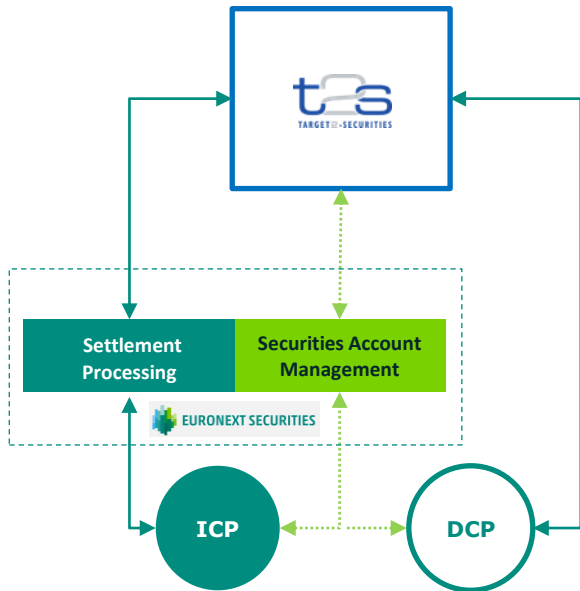
- Omnibus market
- T2S
- EUR, AUD, CAD, CHF, CNY, GBP, JPY, NOK, SEK and USD settlement
- Rights of pledged on CSD level
- 4 investor CSD links

Connectivity

- Communication in proprietary format and ISO 15022
- Support of ICP and DCP

**1k securities accounts
1,8m instructions (2023)**

High-level scope



Scope:

- All securities accounts on T2S.
- Settlement takes place in T2S when possible.
- Utilise T2S functionality as much as possible.
 - Local market specificities under revision
- The registration of accounts and technical databases remains in Euronext Securities and will to the extent possible be reflected on T2S.
- For ES-CPH and ES-OSL: Decommission of local settlement platforms.

Throughout 2025, we will use the Reference Group to discuss potential harmonisation of services to remove/reduce local market specificities

2027: Migration of ES-CPH

Scope:

- Move to new Euronext Platform
- Close local settlement platform and migrate to T2S

Detailed discussion points

Since Summer 2024, Euronext has been in dialogue with the Danish market on the upcoming changes following the decommission of the local settlement platform

- **Roles** (aligning across Euronext Securities using T2S roles)
- **Account type structure, incl. settlement validations** (aligning across Euronext Securities applying one account type only)
- **Processing of CA** (to be discussed at upcoming meeting)
- **Name registration** (on securities account level to cater for segregated market)
- **Power of Attorney** (aligning across Euronext Securities using T2S functionality)
- **Collateral and pledging** (need for local build expected to cater for Danish (incl. Portuguese, and Norwegian) legislation)
- **Issuing Agent changes** (aligning across Euronext Securities)
- **SEK Settlement** (aligning across Euronext Securities using T2S CoSD functionality)
- **Securities with limitation rights** (need for local build expected)
- **Unilateral transfers** (portfolio transfers / Stock Dumps) (to be discussed at upcoming Reference Group meeting)
- **Message information flows** (for 2025)
- **Migration Strategy** (for 2025)
- **GUI changes** (for 2025)
- **Pricing model / Invoicing** (roles and routing) (for 2025)

Current findings to be shared and validated with the Reference Group

ECB engagement

The Danish market will onboard its segregated market to T2S by September 2027. Identified significantly greater than the Finnish migration to T2S.

Euronext and the ECB (incl. 4CB) has established a strong governance and project organization to ensure readiness by September 2027

Key focus

- Migration
- Volumetrics, especially for Corporate Actions processing during day-time
- Needed T2S changes to accommodate the migration of the Danish market to T2S

June 2024

ES-CPH submits letter to the MIB to inform the intention to move the direct holding market to T2S

Oct 2024

The MIB has endorsed an action plan with the objective to support the increase of securities accounts in T2S stemming, among others, from the ES-CPH securities account migration by 2027

- **Q1 '25:** the identification of the functional changes, based on the ES-CPH volumetric assumptions
- **Q3 '25:** the execution of performance tests by the 4CB

2030: Migration of ES-MIL, ES-OSL and ES-PTO

ES-MIL

- Targeting to move market trade pre-settlement services (guaranteed and non-guaranteed flows) offered to trading venues and CCPs via X-TRM to Euronext Clearing
- Continue to offer External CSD Settlement with Euroclear Bank (ICSD), Clearstream Banking Luxembourg (ICSD), DTCC (ICSD) and Euroclear UK and International (CSD) by using T2S CoSD functionality

ES-OSL

- Norges Bank (the Central Bank of Norway) is assessing the strategic roadmap of the Norwegian payment and settlement systems
- ES-OSL and selected market participants are assessing the potential impact by joining T2S
- Decision in 2025 with expected go-live in 2030
- The Norwegian market is segregated by law and certain functionality is required, e.g. rights

ES-PTO

- Targeting to move to one single Commercial Bank Money Payment provider to support all 4 CSDs in both Settlement, Custody and Issuance services
- Targeting to move pledge setup for Deposit Guaranty Fund and Investor Compensation Scheme to fully utilize T2S functionality

- Offer one single GUI for all 4 CSDs
- Offer harmonized message standards in ISO150022 and ISO20022 as client communication format

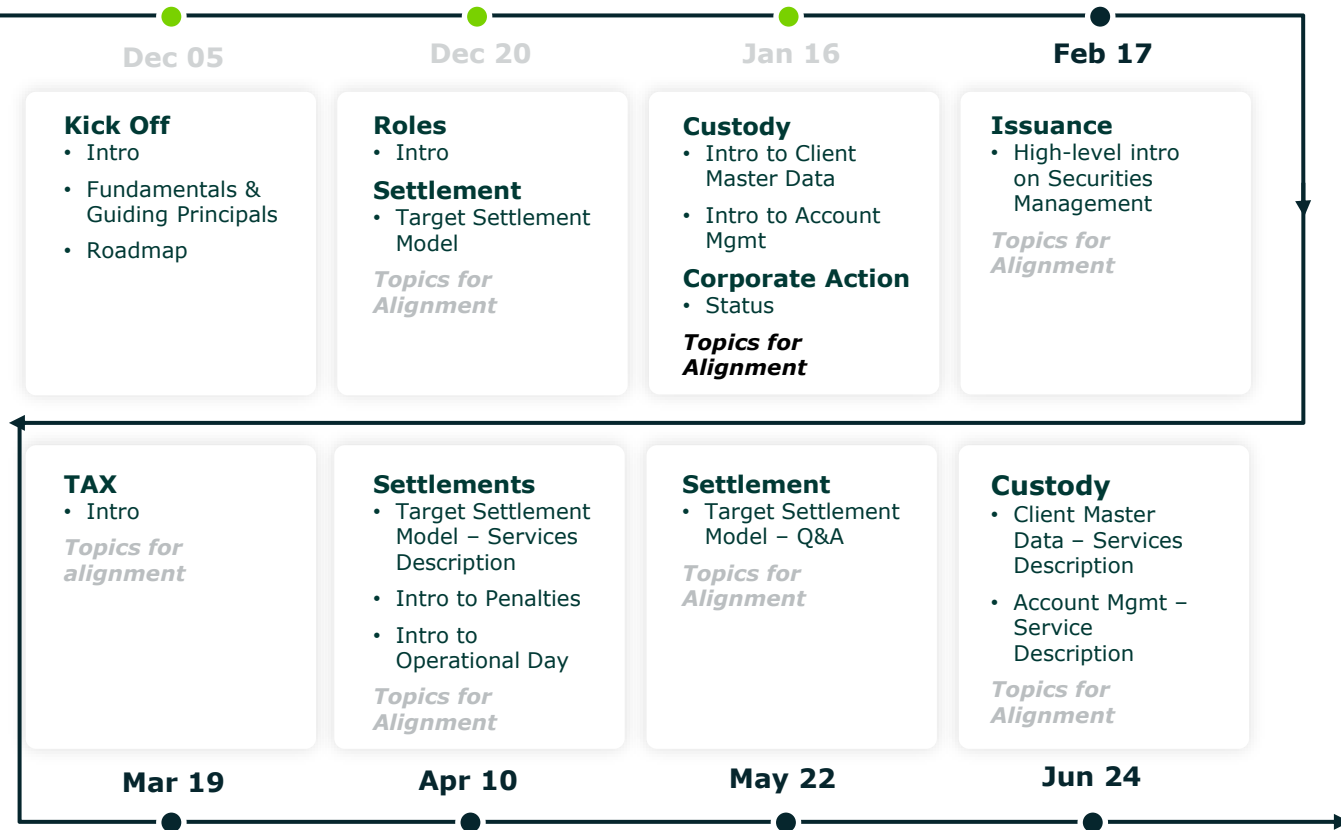
Next steps and any other business



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Preliminary Agendas - H1 2025



- Relevant material to be shared one week prior to meeting

- Material to be shared at dedicated **convergence website**

Topics for alignment.

- "Third party cash provider"
Jan 16, 2025

- ?

Suggestions to be submitted to Client Secretariat:

convergence@euronext.com

Communication Survey

Please respond to our survey



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