

**2nd meeting of the National Stakeholder Group AMI-SeCo NSG\_PL**

**(teleconference)**

**25<sup>th</sup> November, 2020 11.00-13.00**

**Outcome**

**1. Adoption of the meeting agenda**

The agenda was adopted without comments.

**2. Approval of the report on the Outcome of the 1st meeting of the AMI-SeCo NSG\_PL on October 19, 2020**

The Outcome of the first meeting of the AMI-SeCo NSG\_PL on October 19, 2020 was approved without comments.

**3. Presentation: "KDPW's assessment of the legitimacy of accessing the pan-European TARGET2-Securities (T2S) settlement platform with settlement in zloty and euro, after the 2018 decision."**

Mr. Sławomir Pycko, Director of the Strategic Analysis Department of the KDPW, gave a presentation describing briefly the T2S platform and Denmark's experience with joining T2S with its own currency in October 2018. According to the presentation, the launch of the T2S platform did not contribute to significant reduction in the costs of domestic settlement of the countries participating in the platform. Although, the costs of handling cross-border operations on the platform have decreased in general, but the share of these transactions by value in T2S turnover is only 2%. As for Denmark, the specificity of the country's post-trade infrastructure – direct holding system – was mentioned. The analysis showed that the costs of joining the T2S platform related to adapting the infrastructure to the T2S platform incurred by the Danish market as well as the costs related to the ongoing participation in this system significantly exceed the benefits of using the T2S infrastructure. Furthermore, joining T2S did not increase the volume of cross-border transactions. It appears that directly connected global financial institutions that have gained single access point to different EU markets, thanks to the platform, are the greatest beneficiaries of T2S platform. Therefore, bearing in mind the issues of T2S limited functionality (e.g. lack of handling corporate actions, which would require KDPW S.A. to provide such services at the national level), KDPW S.A. recommends joining T2S when Poland enters the euro area at the earliest. Taking into account the duration of the KDPW IT system, switching to the T2S platform may be reconsidered after 2027 at the earliest. For this moment KDPW S.A. will monitor T2S developments and the process of ECMS launching.

**4. Discussion on the plans of KDPW SA participation in T2S**

Mr. Adam Tochmański, Director of the Payment System Department of the NBP, commenced the discussion by pointing that in the process of launching the T2S platform, the ECB encouraged Member States to use the new functionality. Looking backwards, the decision taken at that time by the Polish market to refrain from participating in the platform was right. Nevertheless, the situation is monitored by the Polish market, and the issue of participation in the T2S platform is regularly discussed, latterly in 2018. At that time, a survey on the assessment of joining T2S was conducted among Polish market

participants. Supporting the KDPW SA stance on the absence of business case for joining T2S at this stage, Mr. Tochmański also stressed that, due to other projects carried out currently in cooperation with the ECB, in particular the consolidation of TARGET2 and T2S, it is not technically feasible to engage in another major undertaking of joining T2S. Such an opportunity, and thus reconsideration of the issue, will appear at the earliest at the end of 2023, after the one-year of stabilization period of the above mentioned consolidated platforms and related systems, which will undergo significant changes within this process. Mr. Tochmański announced also that the NBP has started working on a new version of the SORBNET2 system – the SORBNET3 system, the launch of which is scheduled for the first half of 2025. Mr. Mierzejewski suggested issuing a letter accompanied by the KDPW SA presentation to Brokerage Houses Chamber and Depository Banks Council, informing about the AMI-SeCo NSG\_PL discussion on the Polish market participation in T2S, in view to enable a wider market community to express its opinion on this matter. Supporting the view expressed by Mr. Tochmański, the Chairman concluded that the Group will resume the discussion on joining the T2S platform by the end of 2023. Following Mr. Mierzejewski's proposal, the Chairman stated that KDPW SA will inform the participants on the discussion and will ask them to endorse AMI-SeCo NSG\_PL's stance on issue under consideration.

## **5. Presentation of "Adaptation Plan for the KDPW system"**

Starting the KDPW SA presentation on the Adaptation Plan Mr. Kołakowski, Director of the Business Development Department of KDPW, indicated that the Plan was developed taking into account the new deadline for the SCoRE Standards implementation as adopted by AMI-SeCo, scheduled for November 2023. The deadlines for the implementation of milestones have been set by KDPW SA provisionally and will be adapted to the project timeframe as soon as it is specified by AMI-SeCo in accordance with the new deadline. Mr. Kołakowski noted that from the KDPW SA perspective, the Adaptation Plan is tight. Mr. Krystkiewicz (KDPW SA) presented the Adaptation Plan referring to Corporate actions. With regard to Standard 1E, Mr. Krystkiewicz informed that the Polish market does not provide a reversal procedure, so this solution requires comprehensive adaptation. With regard to the 1F Standard, adjustments are required to handle the process of organizing bondholders' meetings. In the scope of Standard 2 (Provision of data necessary for calculation of proceeds) and 10 (Blocking of securities), due to numerous CA Events mentioned in the Standards, Mr. Krystkiewicz noted that KDPW SA would like to consult the scope of implementation of the above mentioned Standards with the AMI-SeCoNSG\_PL, as reflected in the Adaptation Plan for KDPW systems. Therefore, the participants were asked to examine this issue and submit their comments. Mr. Krystkiewicz indicated that, in the opinion of KDPW S.A., amendments in relevant laws are indispensable in order to implement Standards 4 (Rounding rules) and 7 (Securities amount data). Therefore, due to unpredictable duration of such a process, the implementation dates of the Standards in question have not been defined. Mr. Mierzejewski and Mr. Czarnocki suggested to allow the Group to review the Adaptation Plan for KDPW systems within 1-2 week period. Then, Mr. Kołakowski presented the Adaptation Plan concerning standards for Billing processes.

## **6. Discussion on the Adaptation Plans for KDPW and SKARBNET4 systems and their potential approval for submission to the AMI-SeCo Secretariat**

Addressing the request of meeting participants, the Chairman set a deadline of 2 weeks for detailed analysis and comments to the Adaptation Plan for KDPW systems by the AMI-SeCo NSG\_PL, so that it was possible to submit the approved Adaptation Plans to the AMI-SeCo Secretariat by 23 December. The Adaptation Plan for the SKARBENT4 system, presented at the first meeting of AMI-SeCo NSG\_PL, was adopted by the Group without comments, recognizing however that the Plan should also provide

for the implementation of the Standards by November 2023. Ms. Kapis (NBP) ensured that the Plan will be adapted to the new timeframes defined by AMI-SeCo.

**7. Any other business**

There was no discussion on this point.