Summary

Teleconference of the Change Review Group (CRG)

17 June 2016, from 09:30 to 11:30

held at the European Central Bank, Frankfurt am Main

1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants. The Chairperson informed that the aim of the teleconference was to discuss updated Change Requests (CR) CR-560, CR-593, 4CB presentation on considerations for CR-610, outcome of CRG written procedure for CR-588 and two new Change Requests from the 4CB i.e. CR-617 related to handling of liquidity transfers with future value date and CR-618 related to recycling of pending instructions on arrival of new collateral resources. The Chairperson added that the proposal for resolution of Change Request backlog will be presented and the CRG will be informed about the plan for publication of updated T2S specification documents.

The Chairperson informed that the members of the CSD Regulation (CSDR) Task Force will be present during the CRG meeting on 6 July 2016 in the afternoon to discuss the Change Requests related to CDSR.

2. Analysis of Change Requests

Change Request T2S-0560-SYS (T2S query/reporting functionality must be enhanced to allow the retrieval of the settlement instructions impacted by insolvency and their related SF1 (accepted) /SF2 (matched) timestamps in an efficient and standard way)

The aim of the Change Request is to allow the retrieval of the settlement instructions impacted by insolvency and their related SF1 (accepted) timestamp /SF2 (matched) timestamp in an efficient and standard way.

The CRG was informed about proposed updates made in the Change Request during the detailed assessments to bring more clarity to the U2A query parameters. CRG members agreed on the wording

proposals made by the 4CB. In addition, a CRG member mentioned that the word "Accepted" in search criteria field 'Accepted From Date and Time' could be misleading and suggested to change it to a word that was neutral in meaning. The word "Accepted" suggests that the search result will only retrieve the settlement instructions which were accepted during the specified time interval and it will not include settlement instructions that were matched during the specified time interval. The CRG member agreed to take this proposal on board as potential improvements on the Graphical User Interface (GUI) usability or other possible Change Request.

A CRG member mentioned that the output fields reported in the U2A list screen provides the information about securities account and DCA but does not provide information about the account owner and DCA owner and asked if these output fields should be included in the Change Request. The 4CB informed that further substance changes to the Change Request could not be taken on board at this point of time, because the detailed assessment on the Change Request is almost complete. It was mentioned that the CRG member could consider raising a new Change Request to incorporate the proposal.

A CRG member suggested a change in the wording of the Change Request to clarify that query parameter "Accepted From Date and Time" and "Accepted To Date and Time" will retrieve SF1 and SF2 of all settlement instructions within the party BIC's data scope, which have been accepted by T2S after the "Accepted From Date and Time" and prior to "Accepted To Date and Time". The CRG members agreed to modify the Change Request for clarification and agreed on the detailed assessment on updated Change Request.

CRG decision: The CRG agreed that the detailed assessment on the updated Change Request should be continued.

Action points:

- Clearstream will share the proposed wordings to clarify in the Change Request that query parameter "Accepted From Date and Time" and "Accepted To Date and Time" (in case the parameter is used in the query) will retrieve SF1 and SF2 of all settlement instructions within the party BIC's data scope, which have been accepted by T2S after the "Accepted From Date and Time" and prior to "Accepted To Date and Time".

- The 4CB will update the Change Request based on the wordings shared by Clearstream.

Change Request T2S-0588-SYS (Inclusion of the DCA in the auto-collateralisation messages i.e. T2S generated instructions (sese.032) and/or the corresponding settlement confirmations (sese.025))

The aim of the Change Request is to include the Dedicated Cash Account (DCA) in the auto-collateralisation messages i.e. Securities Settlement Transaction Generation Notification (sese.032) and/or the corresponding Securities Settlement Transaction Confirmation (sese.025).

The CRG was informed about the outcome of the written procedure for identifying business cases other than auto-collateralisation where reporting of DCA of the counterparty is required. Some CRG members supported that the DCA of the counterparty should be added to the settlement confirmation (sese.025) in all business scenarios rather than only in case of collateral instructions if the extension to all business scenarios does not cause additional 4CB implementation efforts. The 4CB agreed to confirm the impact on cost and effort if DCA of the counterparty were to be reported in the settlement confirmation (sese.025) in all business scenarios.

A CRG member pointed out that reporting the counterparty's DCA in all the business scenarios might result in issues related to data confidentiality. Few CRG members already commented that they would not use this feature as they foresee data confidentiality issues.

The CRG agreed to initiate the written procedure to gather views of CRG members, whether inclusion of the counterparty's DCA in sese.025 in all the business scenarios would result in issues related to data confidentiality and whether they support inclusion of the counterparty's DCA in the settlement confirmation (sese.025) in all the business scenarios.

As the written procedure on the Change Request will be initiated, the CRG agreed to keep the Change Request on hold.

<u>CRG decision</u>: The CRG put the Change Request on hold.

<u>Action points</u>:

- The 4CB will confirm during the next CRG meeting if reporting of DCA of the counterparty in sese.025 for all the business scenarios would/would not result in additional cost and effort.

- The ECB will initiate written procedure if reporting of DCA of the counterparty in sese.025 for all the business cases would result in issues related to data confidentiality and if the CRG members support the inclusion of the counterparty's DCA in the settlement confirmation (sese.025) in all the business scenarios.

Change Request T2S-0593-URD (Prevent acceptance (i.e. reaching SF1) of new settlement instructions at the level of a T2S Party)

The aim of the Change Request is to the trigger rejection of new incoming settlement instructions based on a flag set at the level of a T2S Party in case of insolvency.

The CRG was informed that the Change Request was updated to include the description of the steps to be undertaken by the CSDs and the T2S Operator to restrict accounts of an insolvent party via the Data Migration Tool (DMT). The Chairperson reminded that the CRG already recommended the start of the detailed assessment of the Change Request, based on the OMG agreement. It is expected that the Operations Managers Group (OMG) will provide its conclusion on the Change Request by the end of June 2016. If the OMG feedback is positive, the 4CB will start detailed assessment on the Change Request.

The 4CB confirmed that in addition to the set-up of restriction at account level, the DTM tool can also be used to remove the restriction on accounts and multiple files can be sent for restricting the accounts. It was also confirmed that requests conveyed to T2S via a DMT file are always validated against the business rules defined in the backend and hence if restriction type 4 was already set-up for an account via GUI and if the same account appears in the DMT file for setting of restriction type 4 then such overlapping request would be rejected by the backend.

A CRG member suggested to update the Change Request to clarify that two different files need to be used for restricting securities account and dedicate cash account and it is possible to list all accounts or only a subset of accounts in the DMT file.

The CRG acknowledged that the DMT files were meant for usage during the migration phase; however it is also understood that they can be used for operational purposes, in case of exceptions. Upon a question from a CRG member about the privileges needed for the usage of the DMT, the CRG decided to seek OMG confirmation that the approach remains the same with regards to privileges to upload the DMT files in production.

Action points:

- The 4CB will update the Change Request to clarify that two different files need to be used for restricting securities account and dedicated cash account and it is possible to list subset of accounts in the DMT file.

- The CRG will seek OMG confirmation that the approach remains the same with regards to privileges to upload the DMT files in production.

Change Requests T2S-0610-SYS (Allow NCBs to obtain the complete view of all DCAs and other relevant objects (parties) in a subset of U2A queries)

The aim of the Change Request is to enable central banks to have complete overview of all the DCAs opened in their books in a single screen when querying the cash account balances and the outstanding auto-collateralisation credit via U2A.

The 4CB presented two possibilities which would enable NCBs to obtain complete view of DCA balances and the outstanding collateralisation of all DCAs. The first solution was use of A2A queries, which is already possible in T2S; the CR initiator mentioned that they had not built an A2A solution as yet. The second solution proposed was the use of the "T2S Overall Liquidity" screen, the 4CB mentioned that three new buttons could be added to the screen which would be linked to "DCA Account Balances", "Outstanding Auto-Collateralisation Credits" and "Cash Forecast" and the data would be available per T2S Party on those screens. The 4CB informed that the second solution would require modification to the Change Request and if the updated Change Request is recommended for approval by end of June 2016, then the Change Request could be considered for implementation during T2S Release 1.3. The CR initiator mentioned that the proposed solution was nice to have, however it did not meet their requirements.

The CR initiator reiterated that having "wildcard" functionality or a specific solution was not important. However, they need to have a full view on all DCAs on one screen as providing liquidity and liquidity monitoring is a crucial function of central bank activity. The 4CB explained that both options – wildcard or optional field – will lead to the same negative performance impact (described in UT-PBR-057 and explained in UTSG Telco on 06 Nov 2015).

A CRG member (NCB) supported the Change Request and mentioned that currently they use T2S overall liquidity screen at the end of the day to see if cash sweep for the DCAs has worked properly, however if there is any issue with cash sweep then it is difficult to query each and every party to get further details of the accounts.

The CR initiator questioned why the "T2S Overall Liquidity" and "Limit Utilisation" screens are able to return data for all DCAs in a central bank without the named performance problems, whilst on the screens specified in the Change Request i.e. cash account balances, outstanding auto-collateralisation credit and cash forecast this will cause performance problems. The 4CB agreed to provide details during the CRG meeting on 6-7 July about performance difficulties due to -modification of screens specified in the Change Request i.e. cash account balances, outstanding auto-collateralisation credit and cash forecast.

The CRG agreed to initiate the written procedure to gather views of CRG members, if- it was possible to implement the A2A solution on the central bank's side and if the alternate solution (i.e. addition of three new buttons on the screen "T2S Overall Liquidity", which would be linked to "DCA Account Balances", "Outstanding Auto-Collateralisation Credits" and "Cash Forecast" where data per T2S party would be available) proposed by the 4CB was acceptable to the central banks.

As the written procedure on the Change Request will be initiated, the CRG agreed to keep the Change Request on hold.

CRG decision: The CRG put the Change Request on hold.

Action points:

- The 4CB will provide details during the CRG meeting on 6-7 July about difficulties in modification of screens specified in the Change Request i.e. cash account balances, outstanding auto-collateralisation credit and cash forecast.

- The ECB will initiate the written procedure to gather feedback from CRG members if implementation of A2A solution on central bank's side is possible to get the complete overview of DCAs or if alternate solution (i.e. addition of three new buttons on the screen "T2S Overall Liquidity", which would be linked to "DCA Account Balances", "Outstanding Auto-Collateralisation Credits" and "Cash Forecast" where data per T2S party would be available) proposed by the 4CB was acceptable to the central banks.

Change Requests T2S-0617-SYS (Handling Liquidity Transfers with future value date)

The aim of the Change Request is to allow T2S to accept the future dated liquidity transfers from the RTGS System (e.g. Target2 (T2)) on specific future business dates.

The Chairperson informed that issue related to rejection of inbound liquidity transfer by T2S for future settlement date was discussed during the PMG meeting in 2014. The issue arises when the business date in T2S or business date in T2 are not same (i.e. when T2 is closed and it is not a closing day for T2S and if the change of business date in T2S is delayed). A manual workaround is currently used by the T2S Operator to ensure that such liquidity transfers are not rejected.

The 4CB explained that the new solution would ensure that the liquidity transfer instructions with future business date will be accepted in T2S even if the future business date has not yet reached. However the instructions will be executed only once the future business date is reached. Special checks will be deployed to ensure that this exceptional processing takes places on specified business dates. The 4CB confirmed that these special checks will be part of a more detailed assessment and will be specified in the User Detailed Functional Specifications (UDFS).

A CRG member questioned the fact that a liquidity transfer for a future date may not be visible in T2S until the future business date is reached. The CRG member mentioned that it would be operationally beneficial if such future dated liquidity transfer could be tracked via any means (e.g. another screen) even when the future date has not yet reached, to avoid the uncertainty of not knowing what has happened to the transfer. The 4CB agreed to confirm during detailed assessment of the Change Request if this functionality could be provided. A CRG member suggested making an editorial update of the Change Request to liquidity transfer from Real Time Gross Settlement (RTGS) to T2S instead of liquidity transfer from T2 to T2S.

The Chairperson invited the views of CRG members if detailed assessment on the Change Request could be started and if the Change Request could be considered for implementation during T2S Release 1.3. A CRG member expressed that this Change Request would have to be compared to the urgency of other Change Requests for Release 1.3 once the detailed assessments are complete and that so far it was not clear that it was more urgent. The CRG members agreed to start the detailed assessment of the Change Request without specifying an intended release.

CRG decision: The CRG recommended starting the detailed assessment of the Change Request.

Action points:

- The 4CB will update the Change Request to clarify that liquidity transfer from RTGS system and not only T2 will be covered in the scope of the Change Request.

- The 4CB will confirm during detailed assessment of the Change Request (i) if future dated liquidity transfer could be tracked via any means in T2S (ii) the special checks that will be implemented to ensure that liquidity transfer with specified future business dates will be accepted by T2S.

Change Request T2S-0618-SYS (Recycling includes arrival of new collateral resources)

The aim of the Change Request is to recycle instructions pending due to a lack of cash at the arrival of securities that can be used as collateral to provide the missing cash resources.

The Chairperson informed that the Change Request was discussed during the Release Management Sub Group (RMSG) and OMG meetings and both the groups were in favour of keeping this Change Request for T2S Release 1.1.5, even though the scope was not foreseen in T2S Release 1.1.5 until now.

The CRG acknowledged that the regular governance process for the Change Request was not followed. The Chairperson invited the CRG members to express their opinion on the Change Request and the CRG was in agreement that the Change Request was beneficial for the T2S community from the business point of view. A CRG member mentioned that the Change Request should specify that the collateral includes client as well as central bank collateralisation.

A CRG member raised a concern that there are further changes in the software, apart from what was described in the Change Request. They also mentioned that a change at such a short notice would mean that they would not have sufficient time to test the changes before migration. The Chairperson suggested that the CRG member raises this point about any other changes to the project management governance structure.

CRG decision: The CRG recommended the Change Request for T2S Release 1.1.5.

Action points: The 4CB will update the Change Request to clarify that recycling of pending instructions will take place when new securities are made available for collateralisation i.e. for client collateralisation as well as central bank collateralisation.

3. Plan to resolve the existing Change Request backlog

The 4CB presented a plan to resolve the existing backlog of Change Requests. The 4CB informed that the preliminary assessment for the Change Requests will be delivered in 4 batches, while the last three batches will contain 18 Change Requests each, the number of Change Requests for the first batch Batch 0, containing easy Change Requests (possibly the Change Requests that impact only one module) will be communicated in CRG meeting of 6/7 July 2016 to create the ground for preliminary assessment of further Change Requests. The detailed assessment of other batches will be started after stabilisation of migration wave 3 in September 2016. The 4CB mentioned that it was considered necessary by the CSG to ensure that further backlog of Change Requests is not created while eliminating the current backlog. The 4CB further added that the detailed assessment of Change Requests in backlog will not impact the detailed assessment of Change Requests which are considered mandatory for CSDR, ISO Standard Release (SR) 2017 and migration of Danish Krone.

The Chairperson informed that 4CB preliminary assessment and assigning business value from CRG members will be done independently. The 4CB mentioned that they would rely on the CRG to provide guidance about the composition of Change Requests in each of the batch, or else the oldest Change Requests would be considered first for assessment. The Chairperson mentioned that one

approach could be to first consider the Change Requests which did not make it for T2S Release 1.3, because they were already considered in terms of business value and importance by the CRG. A CRG member recommended that Change Requests which are functionally interrelated should be included in the same batch. This approach seemed promising and the CRG agreed to provide their feedback on composition of Change Requests for each of the batch during the written procedure.

The Chairperson informed that during the CRG meeting on 6/7 July 2016, the ECB will make a presentation about a part of the Change Requests in backlog (similar to the presentation about T2S Release 1.3 nominated Change Requests in the 8/9 February 2016 meeting), the presentation would cover what the Change Request is about, it's functional aspects, possible workarounds etc. The ECB would make a further presentation about the remaining Change Requests in the CRG database in the CRG meeting in September 2016. These discussions would help CRG members to assign business value to the Change Requests. By end of October 2016 CRG could have assigned business value to all the Change Requests in backlog.

Action points: The ECB will initiate the written procedure as to which Change Requests (which are interrelated or belong to the same topic) should be grouped in the same batch for preliminary assessment.

4. Any other business

Presentation on CRG activities to come to the baseline proposal for the T2S Release 1.3

The CRG was informed that the detailed assessment of 7 Change Request will be available on 28 June 2016 and it will be discussed during the CRG meeting on 6/7 July 2016. The detailed assessment of remaining 4 Change Requests will be available on 20 July 2016 and it will be discussed during the CRG Telco on 29 July 2016.

The Chairperson informed that the CRG Telco has been planned on 29 July 2016 (9:30 – 12:30) to recommend Change Requests for T2S Release 1.3.

Update of the T2S specification documents in the context of the T2S Release 1.2

The Chairperson informed that the draft of updated T2S specification documents i.e. T2S User Detailed Functional Specifications (UDFS), T2S User Handbook (UHB), T2S General Functional Specifications (GFS), User Requirements Document (URD) and Business Process Description (BPD) will be shared with the market for review on 1st July 2016 and requested CRG members to provide their feedback on the updated document once it is published on 1st July 2016. The Chairperson mentioned that the updates will include the changes which resulted from Change Requests for T2S Release 1.1.5, Release 1.2 editorial Change Requests and other remaining Change Requests, mainly from Release 1.1. The update will also include CR-618

SDD-PBR-0004 (T2S should only allow the deletion of a Certificate DN if it is not linked to any user)

The Chairperson informed that the note on CRG recommendation on SDD-PBR-004 (T2S should only allow the deletion of a Certificate DN if it is not linked to any user) was already shared with the CRG members and they could provide their feedback on the note by 12:00 on Monday 20 June 2016. Thereafter it will be sent to the OMG.

T2S-0579-SYS (Editorial changes to clarify the retention period for outbound messages)

The Chairperson informed the CRG about the change in the title of the Change Request to reflect the editorial nature of Change Request. The Change Request was meant to align T2S behaviour with the resolution of the related problem ticket PBI-157795, which was implemented via a hot-fix.