

T2S PROGRAMME OFFICE

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v1.1

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Summary

Teleconference of the Change Review Group (CRG)

10 October 2016, from 14:00 to 16:00

held at European Central Bank

1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants and the new CRG representative of the Danmarks Nationalbank, Peter Toubro-Christensen.

The Chairperson informed that the aim of the CRG Telco is to inform the CRG about the proposed approach for implementation of the CR-358, potential enhancements of resilience and potential enhancements of report management in the context of multiple currency scenarios, to discuss the updated CR-543, CR-544, CR-590, to present the Change Requests on hold and to present the composition of next batch of Change Requests proposed by the 4CB for preliminary assessment from 24 October - 11 November 2016 (batch 2).

The Chairperson informed that the Release Management Subgroup (RMSG) has proposed an additional release i.e. T2S Release 1.2.1, between the already planned Releases 1.2 and 1.3. The Release 1.2.1 would contain only problem fixes. The CRG was informed that the details of problem fixes which will be included in the additional release will be shared with them when the information becomes available.

2. Analysis of the change requests

Change Request T2S-0358-URD (Unblocking of ISINs as part of Corporate Action Handling)

The aim of the Change Request is to allow CSDs to instruct a special request to unblock an ISIN which takes effect only after the settlement of the Corporate Action (CA) instructions on that ISIN.

The CRG was informed about the proposed implementation approach which would ensure that the ISINs blocked for settlement of CA instructions are made available for auto-collateralisation as soon as the CA instructions are settled.

The proposed approach involved (i) the introduction of a new restriction type 'CA blocking' to restrict the ISINs that are under a corporate action; (ii) sending all the instructions related to corporate actions as a pool of linked instructions for each restricted ISIN; and (iii) once one of the CA Free-of-payment (FOP) instruction on restricted ISIN has settled, the ISIN would be unblocked and other instructions for that ISIN would be available for settlement.

The 4CB informed that if the CRG initially agrees with the proposed solution, they will update the Change Request and seek the CRG recommendation to launch the detailed assessment of the Change Request which is scheduled during February-May 2017.

A CRG member asked if the proposed approach would be valid in case a CSD with larger volumes plans to use the functionality on regular basis. The 4CB answered that the approach is based on the volumetric assumptions provided by the VP Securities. If other CSDs plan to use the functionality on the same days on which VP Securities would use it (i.e. on 2 January, 1 April, 1 July, 1 October) then there might be a need to update the implementation proposal. The 4CB requested the CSDs to share the details of volumes i.e. number of business days per year when they would use the new Processing Restriction Type, number of ISINs affected, average number of holdings in each ISIN, total number of holdings in the ISINs to validate the proposed solution.

The CRG agreed to share their feedback on the proposed approach and the required details on volumes via written procedure and continue the discussion in the next CRG meeting.

CRG decision: The CRG kept the Change Request on hold and agreed to continue the discussion in the next CRG meeting.

Action points: CRG members will indicate in a written procedure by 17 October 2016 whether:

1. they agree to the proposed approach from a functional/implementation perspective and any other feedback they may have on the proposed approach.
2. they plan to use the functionality proposed by the Change Request. If yes, they would provide the following additional information to enable 4CB to validate the proposed solution
 - a. Number of business days per year when they would use the new Processing Restriction Type
 - b. Number of ISINs affected
 - c. Average number of holdings in each ISIN
 - d. Total number of holdings in the ISINs

Change Request T2S-0543-URD (Minimum amount for auto-collateralisation transactions)

The aim of the Change Request is to allow payment banks to define an individual minimum cash amount to be transferred in an auto-collateralisation and client-collateralisation scenario.

The CRG was informed about the updates made to the Change Request to (i) clearly reflect the operational implications of the Change Request (i.e. auto-collateralisation will not be triggered below the minimum amount and therefore, the underlying instruction could remain unsettled even though there is enough collateral available for lack of cash); and (ii) clarify that the substitution of collateral is not impacted by the Change Request.

A CRG member suggested to explicitly specify in the Change Request that the functionality of minimum amount for auto-collateralisation transactions is 'optional'. The CRG agreed to include this editorial update in the Change Request.

CRG decision: The CRG agreed that after the editorial update was incorporated in the Change Request it can be considered mature from a content point of view and therefore, it is ready for its preliminary assessment.

Action points: The ECB will make an editorial update to the Change Request to explicitly mention that the functionality to define minimum amount for auto-collateralisation transactions is 'optional' and publish the current version of the change request.

Change Request T2S-0544-URD (Retroactive Cash Restriction (Cash Blocking and Reservation))

The aim of the Change Request is to input the settlement reference of an existing settlement instruction into the cash restriction to block/reserve cash for the settlement of the specific instruction that already existed in T2S.

The CRG was informed about the updates made to the Change Request to include the impacted messages and U2A screens to ensure consistency.

The CRG agreed to share the Change Request with the Sub-group on Message Standardisation (SGMS) to ask which fields in the impacted messages could be used to report settlement ID/settlement reference number which could be used to link a cash restriction with the settlement instruction which already exists in T2S.

CRG decision: The CRG agreed to share the Change Request with the SGMS for advice on messaging aspects.

Action points: The ECB will share the Change Request with the SGMS for feedback on the messaging aspects of the Change Request during the SGMS telco on 20 October 2016.

Change Request T2S-0590-URD (Include information from the underlying settlement instruction in the T2S 'Bank to customer statement (camt.053)' and in the T2S 'Bank to customer debit credit notification (camt.054) messages for Settlement, Custody/Asset servicing and Reconciliation)

The aim of the Change Request is to include the ISIN, the corporate action event type and the CA event identification, the Securities account and the settled quantity in the Bank to Customer Statement (camt.053) message and Bank to customer debit credit notification (camt.054).

The CRG was informed that the Change Request was updated to include the requirements specified in the Change Request T2S-0622-SYS (Include information from the underlying settlement instruction in the T2S 'Bank to customer debit credit notification (camt.054)' message for optimising reconciliation) i.e. to include the ISIN, corporate action event type and identification, Securities account and settled quantity in the Bank to customer debit credit notification (camt.054).

A CRG member pointed that the fields in bank to customer statement (camt.053) are part of the statement block whereas the fields in camt.054 are part of notification block; hence the field paths for both the messages should be specified separately in the Change Request.

The CRG was informed that currently during a night-time settlement (NTS) sequence, due to multiple partial settlements; camt.053 generated on the same day displays multiple entries for partially settled quantity whereas camt.054 displays a single entry with cumulated settled quantity. A clarification note is awaited from the 4CB in the context of Change Request T2S-0633-SYS (Multiplex Editorial Change Request on UDFS and UHB) describing the detailed examples on the current differences between the camt.053 and camt.054 messages.

The CRG agreed to update the Change Request.

CRG decision: As the Change Request needs to be updated, the CRG agreed to keep the Change Request on hold.

Action points: The CR initiator will update the Change Request to specify the correct field path for the Bank to customer debit credit notification (camt.054) i.e. the fields are part of the notification block and not part of the statement block (i.e. 'Stmt' to be replaced with 'Ntfcn').

Presentation on the potential enhancements of resilience in multiple currency scenarios

The 4CB explained that a common schedule of a settlement day is maintained in T2S for all the currencies. The T2S Operator is entitled to change some cut-offs of a settlement day in exceptional circumstances or contingency situations.

Few CRG members mentioned that a harmonised schedule for DVP cut-offs in T2S was important. Another CRG member pointed out that the introduction of different cut-offs per currencies would be against harmonisation standards. The Danish Central Bank confirmed that they would also have the DVP cut-off for Danish krone at 16:00, which is aligned with the DVP cut-off for euros.

The 4CB explained that currently an issue related to one currency could block the T2S settlement day for other currencies. In this respect, the 4CB proposed that they could raise a Change Request so that T2S is able to handle the cash specific cut-offs per currency foreseen from 16:00 to 18:00 with the aim to improve the operational resilience of T2S.

On the other hand, the 4CB indicated that currently T2S sends the system status 'real-time settlement closure ('RTMC') via a Return Business Day Information message (camt.019) at the IDVP cut-off for euros. In a multi-currency scenario, the 4CB proposed that T2S could send the camt.019 when the first IDVP cut-off for a currency is reached and suggested that they could add this to the same Change Request.

A CRG member asked if the camt.019 will be sent at the start or at the end of the IDVP cut-off event considering that the Change Request T2S-0635-SYS (Introduction of new events at the end of cut-off procedures) will allow T2S differentiating both. The 4CB confirmed that the camt.019 will be sent at the start of the IDVP cut-off event as its aim is to inform about the status of the system (i.e. 'real-time settlement closure – 'RTMC'). The end of the IDVP cut-off is relevant for report configuration purposes.

The 4CB will bear the cost of the new Change Request. In case of introduction of a new currency in T2S in the future, there would not be a need for a new Change Request as a change in the configuration of the cut-off event would be sufficient to accommodate the new currency. Also the camt.019 would continue to be sent at the start of the first cut-off event.

The CRG agreed to share their feedback on the proposed solution in a written procedure and continue the discussion during the next CRG meeting.

CRG decision: The CRG agreed to continue the discussion in the next CRG meeting when a preliminary CRG member's feedback will already be available.

Action points: The CRG members will provide feedback/questions on the proposed enhancement of T2S resilience in multi-currency scenario in a written procedure by 17 October 2016.

Presentation on the potential enhancements of report management

The CRG was informed about the current handling to the report management in two scenarios in the context of multi-currency.

- (i) Currently in the case of currency specific cut-off events (e.g. BATM, IDVP) the reports are generated for all T2S Actors who subscribed for it every time the currency specific event is triggered.
- (ii) Currently T2S generates cash related reports for a currency on every business day, including business days which are not open for a specific currency in T2S.

The 4CB indicated that it is up to the market to investigate possible implications of the current T2S behaviour in the context of report management in above scenarios and raise a Change Request if required.

Since currently T2S would send a report configured for a cash specific event as many times as currency are in T2S, the 4CB explained that the T2S actors would have to configure delta reports so the first report generated would be complete and the next ones empty in case that the cash specific events are set up at the same time.

A CRG member asked if the report that is triggered at currency specific events will be generated even when the currency is not open in T2S. The 4CB agreed to clarify this point.

The CRG agreed to share their feedback on the proposed solution in a written procedure and continue the discussion during the next CRG meeting.

CRG decision: The CRG agreed to continue the discussion in the next CRG meeting when a preliminary CRG member's feedback will already be available.

Action points:

- CRG members will provide feedback in a written procedure by 17 October 2016
 1. Whether they consider enhancements to T2S necessary in the scenario where:
 - a. T2S creates reports which are configured for currency specific events, each time when this event occurs (e.g. BATM for DKK and/or BATM for EUR).
 - b. T2S generates cash related reports for a currency on every business day, including business days which are not open for a specific currency in T2S.

2. any other questions/feedback they may have on the proposed enhancement to the report management
- The 4CB will clarify whether T2S generates reports for currency specific events when the currency is not open for that settlement day in T2S¹

3. Resolution of the backlog of Change Requests

The ECB presented the Change Requests on hold for future releases which will be preliminary assessed by the 4CB. The aim of the presentation was to facilitate the CRG member's task to provide a business value for these Change Requests.

Change Request T2S-0541-SYS (Bulk-release functionality (U2A) for settlement instructions)

The aim of the Change Request is to implement bulk-release functionality for settlement instructions in the T2S GUI to allow T2S Graphical User Interface (GUI) users to release pending settlement instructions according to specific selection criteria.

The CRG was informed that the Change Request T2S-0580-URD (Additional automatic intraday reimbursement of NCB auto collateralisation instructions), which asks for additional automatic intraday reimbursement, could reduce the need for the CR-541. The Directly Connected Parties Group (DCPG) has supported the Change Request.

The CRG also mentioned that a Change Request could be raised for similar functionality for bulk hold and bulk cancellation of instructions, if deemed necessary e.g. for the handling of insolvency procedures.

Change Request T2S-0546-SYS (Indication for time-critical settlements)

The aim of the Change Request is have of a "settlement till" time-stamp to indicate that an earlier settlement as the end of day settlement is intended or required.

The CRG was informed that the Change Request requires an ISO CR to be raised. Since the Change Request does not have strong support in the CRG, the CR initiator would need to raise the ISO CR. The 4CB preliminary assessment would be done based on the assumption that an ISO CR will be raised.

Change Request T2S-0568-SYS (T2S should allow system-wide SME and Security CSD link search via T2S GUI)

The aim of the Change Request is to update the T2S GUI screen to allow system-wide Securities Maintenance Entities (SME) and Security CSD links search.

The CRG was informed that the potential workaround for the Change Request is to request the information from T2S Operator via service ticket.

¹ 4CB clarification after the teleconference: The IDVP event is not planned for days where all currencies are closed and T2S is only open for FOP. Therefore, the configured reports for IDVP event could not be created on these business days.

Change Request T2S-0572-SYS (A2A message to remove close links)

The aim of the Change Request is to allow removing close links via an A2A message for both Central Banks (in the context of Central Bank auto-collateralisation) and payment banks (in the context of client-collateralisation)

The CRG was informed that the Change Request would require development of new Pilar III messages and T2S business rules. The CR-572 could be considered for implementation together with Change Request T2S-0436-URD (Client-collateralisation: allow payment banks to set up their own list of close links) and T2S-0530-SYS (One close link database for Eurosystem NCBs and separate database per non-EUR currency) since all the Change Requests impact same functionality in T2S.

Change Request T2S-0574-URD (Applying additional haircuts to own-used assets in T2S Central Bank auto-collateralisation)

The aim of the Change Request is to apply additional haircuts to own-used assets in T2S Central Bank auto-collateralisation.

The CRG was informed that the CR-574 could be considered for implementation together with Change Request T2S-0436-URD (Client-collateralisation: allow payment banks to set up their own list of close links) and T2S-0530-SYS (One close link database for Eurosystem NCBs and separate database per non-EUR currency) since all the Change Requests are related to auto-collateralisation.

Change Request T2S-0586-SYS (PRCY for leg CB in sese.032 for reimbursement auto-collateralisation)

The aim of the Change Request is to include the pending reason code PRCY (CounterpartyInstructionOnHold) in the auto-collateralisation reimbursement instruction (sese.032 Messages) sent to the credit provider.

The CRG was informed that the Change Request would increase consistency in the reporting behaviour of T2S and also increase compliance of T2S with ISO standard which requests to report in all cases a pending reason code for non-eligibility for settlement as from ISD.

Change Request T2S-0588-SYS (Inclusion of the DCA in the auto-collateralisation messages i.e. Securities Settlement Transaction Generation Notification (sese.032) and the corresponding Securities Settlement Transaction Confirmation (sese.025))

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

The CR initiator confirmed that the Change Request was important from the perspective of Central Banks since it would reduce the manual workaround used to identify the concerned DCA.

Change Request T2S-0604-SYS (T2S generated instructions should inherit priority from the underlying settlement instructions)

The aim of the Change Request is to ensure that T2S generated settlement instructions are assigned the same priority as the priority specified in the underlying settlement instruction.

The CRG was informed that currently T2S generated settlement instructions and settlement restrictions are assigned normal priority irrespective of the priority assigned to the underlying settlement instruction.

4CB proposal for Change Requests to be preliminary assessed from 24 October to 11 November (batch 2)

The 4CB made a proposal of 14 Change Requests that could be preliminary assessed between 24 October 2016 and 11 November 2016 (batch 2).

The CRG agreed to share their feedback on the composition of the batch of Change Requests that will be preliminary assessed from 24 October – 11 November 2016 via a written procedure.

Action points: The CRG members will provide feedback

- If they agree with the composition of the batch of Change Requests that will be preliminary assessed from 24 October – 11 November 2016.
- Any other questions/feedback CRG may have on the proposed composition of the batch
- On the comments mentioned against the Change Requests in the presentation.

4. Any other business

The CRG was informed that the next CRG meeting will take place on 26 October 2016 in Frankfurt.