

T2S PROGRAMME OFFICE

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v1.1

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Summary

Teleconference of the Change Review Group (CRG)

16 November 2016, from 10:00 to 12:30

held at European Central Bank

1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants.

The CRG was informed that the aim of the CRG Telco was to discuss the way forward on the Change Request T2S-0358-URD (Unblocking of ISINs as part of Corporate Action Handling) after receiving expected volumetric assumptions, the 4CB proposal on cut-off handling and reporting in the multi-currency scenario, preliminary assessment on Change Request from batch '2', impact of the Change Requests for the T2S Release 1.3 on the T2S schemas and implication of having one leg of transaction with ADEA (Accept After Regular Settlement Deadline) in the context of item 18 of editorial CR-584 (Editorial Change Request on URD, GFS, UDFS and UHB).

The CRG was informed that the Project Managers Group (PMG) indicated that the T2S Release 2.0, which is planned before the migration of Danish Krone (DKK), should consist of a limited number of Change Requests that primarily focus on the stabilisation of operations and operational efficiency of the T2S platform and do not introduce major scope elements. The 4CB mentioned that from a resource perspective, the Release should consist of approximately 8 to 10 Change Requests; however this is just an indicative number. The CRG was informed that the current exercise of assigning the business value indicator is not affected by this and it should be looked at as one of the additional elements to be considered while assigning the business value to the Change Requests. The PMG/Release Management Subgroup (RMSG) are discussing the timing of the releases which will act as an input for the CRG discussion on the release scoping.

2. Analysis of the Change Requests

(A) Change Requests from the market for future T2S Releases

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

The 4CB presented the analysis of the volumetric provided by some of the CRG members about

- the number of business days per year when they would use the functionality,
- number of ISINs affected,
- average number of holdings in each ISINs and
- the total number of holdings in each ISINs.

The CRG was informed that the current assumption is that the proposed implementation approach would support the volumes provided by the CRG members if the intraday restrictions for blocking the ISINs for corporate action are sent in advance before the start of the night-time settlement (NTS) in which the corporate action instructions will be settled i.e. latest by 19:30. It is preferable to send the intraday restriction before the start of End of Day (EOD) in order to avoid negative impact on EOD processes.

The CRG agreed that the 4CB will update the Change Request to reflect the proposed implementation approach and the volumetric assumptions. The updated Change Request will be discussed during the CRG meeting on 12-13 December 2016.

The Change Request would be a candidate for the T2S Release 2.0 because it supports the migration of the Danish Krona. Further analysis on the Change Request would be conducted during the detailed assessment. The 4CB will inform the schedule for the detailed assessment of the Change Request during the CRG meeting on 12-13 December 2016. The CRG members who provided the volumetric details were requested to provide additional information if they plan to submit the restrictions as a single message or as a file, in case they plan to use files for submitting restriction then the number of messages per file.

Action points:

- Iberclear, Cleastream and VP Securities will provide additional information by 30 November 2016 as to how they plan to submit the intraday restrictions during the business day before the NTS in which settlement instructions related to corporate action need to be settled
 - if the restrictions will be submitted as a single message or a file
 - if the restrictions will be submitted as a file then what would be the number of messages per file
- The 4CB will update the Change Request for proposed approach and volumetric assumptions and check if detailed assessment can be anticipated.

Cut-off handling and reporting in multi-currency situation - proposed enhancements

The 4CB proposed 3 different approaches on the enhancement of the report management in the multi-currency scenario to avoid the situation that the report configured a the currency specific event was generated as many times as currencies are in T2S with the same content (including all currencies):

- Solution 1 proposed a configuration of the scheduler in such a way that the reports configured for the currency specific event are generated at the last occurrence of the event, irrespective of the currency. However in case of delay in finalisation of currency specific event for a particular currency, the generation of the reports would also be delayed.
- Solution 2 proposed to introduce the currency as an additional parameter for the configuration of the reports for currency specific events. The reports would be generated once the cut-off for the selected currency (e.g. DKK) is triggered irrespective of the other cut offs of other currencies (e.g. Euro). The content of the report would remain the same as for solution 1 meaning it would contain all currencies. In case the cut-off for currency for which the reports were not configured (e.g. Euro) is delayed then the reports generated at the cut-off for the selected currency (e.g. DKK) would not be complete.
- Solution 3 proposed to introduce the currency as an additional parameter for the configuration of the report for currency specific events so that the cash related reports would contain the information about the accounts denominated in the selected currency. If the user configures reports at the currency specific cut-off for currency Euro, then the cash related reports would be generated once the cut-off for Euro is triggered and would contain information about the accounts denominated in Euro.

A CRG member mentioned that from the securities perspective, solution 1 was preferred since the reports generated at the occurrence of the last event would provide complete details of securities positions, whereas the solution 2 was preferred from the cash perspective. Alternatively securities reports could be configured at XXX event and would be provided according to option 1 at the last occurrence of the event, while cash reports could be configured currency specific and would be provided at the currency specific event according to option 2. The CRG members suggested that 4CB could propose a new solution that combines solution 1 and 2 to address the requirements for securities and cash reports.

A CRG member pointed that the solution 3 was relevant only for cash side and not for securities since the securities positions are not currency specific. Also the proposal was useful if participants have business only in Euro or DKK (the proposal 2 is also useful for participants who have business only in Euro or DKK). For the participants who have business in both the currencies would have to configure reports for both the currencies.

Another CRG member raised a question whether it is possible that a central bank (e.g. the Danish Central Bank) opens several T2S dedicated cash accounts (DCA) for different currencies for the same T2S party (payment bank). If such a setup is not possible then solution 3 may not be valid. The ECB agreed to confirm if it was possible to setup DCAs for different currencies under the same T2S party.

The CRG was informed about the feedback from CRG members on which cash events are currently used for report configuration and which cash events should be made currency specific. Most of the institutions have currently configured/plan to configure their reports on the event Intraday DVP cut-off (IDVP)/ Intraday End-of-DVP cut-off (EDVP) and few members also use/will use the event Intraday BATM cut-off (BATM), Intraday CBO cut-off (ICBO) and Inbound liquidity transfers cut-off (LTRC). Most of the CRG members considered that the events LTRC, Intraday credit reimbursement (RMIC) and Cash sweep (GOLT) should be made currency specific. Few CRG members supported that the other cash events i.e. IDVP/ EDVP, Intraday cash settlement restrictions cut-off (CSRC), BATM, ICBO, LTRC, Settlement restrictions release (RLCR), Optional cash sweep (OCSW) should be currency specific.

The 4CB informed that if the current report configuration for IDVP could be moved to EDVP event that will be introduced via Change Request T2S-0635-SYS (Introduction of a new event at the end of cut-off of IDVP) and the report configuration for other events i.e. BATM (17:40), ICBO (17:40), LTRC (17:45) could be moved to the event EESR (shortly past 18:00) then they could further investigate if these events could be made currency dependent without any impact on report configuration.

Some of the CRG members were of the opinion that the IDVP should not be currency specific as an issue related to RTGS system was not likely to affect the IDVP cut-off. Also it was discussed during the Harmonisation Steering Group (HSG) meeting that the monetary policy day would not affect IDVP cut-off. The CRG further discussed that if the insolvency case is identified in one currency all the central banks would need to investigate the matter irrespective of the currency, since the settlement instructions of the insolvent party could be linked. Therefore it would not be advisable to delay the IDVP for one currency and continue the IDVP for other currencies.

A CRG member mentioned that potentially there could be a scenario where DVP instruction gets into an inconsistent state and this would block the transition of T2S into the next phase for the affected currency. If IDVP is not currency specific, such a case would block the transition for all currencies. Such dependencies need to be considered before deciding if an event should be currency independent. The CRG acknowledged that a functional solution should be in place in T2S to handle any contingency scenario on a short notice and without much impact on the T2S operational day. The User Detailed Functional Specifications (UDFS) currently specifies that the currency specific events are required only to handle contingency scenarios and the event IDVP is defined as currency specific. The CRG agreed to provide feedback if they consider that IDVP should not be currency dependent and if they could use the event EDVP and EESR (EOD Extract Data for Statements and Reports) for report configuration. Based on the outcome of the CRG written procedure, if the CRG members support that IDVP should not be currency specific then there could be a need to change the UDFS.

The 4CB agreed to provide an enhanced solution for the report management based on the feedback from the CRG members. A CRG member suggested that the 4CB should include examples to explain the proposed solutions.

Action points:

- The CRG will indicate in a written procedure if
 - they agree that the DVP cut-off should not be currency specific. In case the answer is ‘no’, they should provide concrete business cases to support a currency specific DVP cut-off in T2S.
 - they could change their current configurations to receive reports at CBO cut-off (17:40), BATM cut-off (17:40) and Liquidity Transfer cut-off (17:45) to the EESR event (shortly past 18:00).
- Based on the feedback from the CRG, the 4CB will update the presentation on ‘Cut-off handling and reporting in multi-currency situation - proposed enhancements’ for enhancement to the proposed solution and also include examples to explain the proposed solutions.
- The ECB will confirm if it is possible to setup DCAs for different currencies under the same T2S party (payment bank)¹.

(B) Editorial Change Requests

Change Request T2S-0639-SYS (Multiplex Editorial Change Request on UDFS and UHB)

The aim of the Change Request is to update the UDFS and User Handbook (UHB) to align them with the current T2S behaviour.

The CRG was informed that the 4CB will update the Change Request based on the feedback received from the CRG members. The updated Change Request will be shared with the CRG for recommendation on the approval of the Change Request.

The 4CB confirmed that some of the items which were related to the problem tickets were only editorial in nature.

Action points: The CRG will provide feedback via a written procedure if they recommend the updated Change Request for approval.

(C) Preliminary assessment on Change Requests from batch ‘2’

The CRG was informed about the delivery of the preliminary assessment on Change Requests from batch ‘2’. The CR initiators agreed to provide feedback on the open questions raised by the 4CB by 30 November 2016. Based on the feedback from CR initiators the preliminary assessments would be further discussed, if required during the CRG meeting on 12-13 December 2016.

CRG decision: The CRG took note of the preliminary assessment of the below Change Requests:

- Change Request T2S-0383-URD (Possibility of submitting already matched cross-CSD settlement instructions)

¹ From technical perspective it is possible to connect DCAs denominated in different currencies to the same Payment Bank. The legal experts from the ESCB/TARGET2 confirmed that a given NCB in T2S can support DCAs in different currencies and there are no limitations in connecting them to the same T2S party. It is upto the NCBs and their customers to decide on the setup of DCAs and Payment Banks in T2S, according to their business needs. Hence the solution 3 proposed by the 4CB on report configuration is valid.

- Change Request T2S-0446-SYS (Blocking of U2A interface for submitting new instructions to T2S during reconciliation process post RAD (Recovery After Disaster))
- Change Request T2S-0543-URD (Minimum amount for auto-collateralisation transactions)
- Change Request T2S-0567-SYS (Functional measures to optimise the T2S Graphical User Interface performance)
- Change Request T2S-0569-SYS (Introduce “Not equal” operator for defining rules in T2S rule based models)
- Change Request T2S-0571-SYS (Availability of Business Sending Party/User as additional parameters for the configuration of Case 1 Restriction Types)
- Change Request T2S-0580-URD (Additional automatic intraday reimbursement of NCB auto collateralisation instructions)
- Change Request T2S-0587-SYS (Alignment of ISO transaction codes across various T2S ISO messages)
- Change Request T2S-0614-SYS (Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported)
- Change Request T2S-0615-SYS (Enrich values in “Transaction activity field” of the “Securities Transaction Posting Report (semt.017)” and in “Bank Transaction Code” in the “End of Day Account Statement (camt.053)” with all ISO20022 codes)
- Change Request T2S-0619-SYS (Additional validation rules for SAC-DCA links)
- Change Request T2S-0621-SYS (Multiple pending reason codes (combination of lack of securities and lack of cash))
- Change Request T2S-0632-SYS (To increase the default number of rows to be displayed from 10 to 100 rows per page)
- Change Request T2S-0634-SYS (New code to report that settlement information is not available in T2S during the start of day)

Action points: The 4CB will provide further information regarding the decommissioning of the maximum credit percentage within the Change Request T2S-0543-URD (Minimum amount for auto-collateralisation transactions) during the CRG meeting on 12-13 December 2016.

3. Impact of the Change Requests for the T2S Release 1.3 on the T2S schemas

Change Requests in the T2S Release 1.3 with schema impact

The CRG was informed that the PMG has requested the CRG to check the possibility for T2S Actors to receive updated XSD files related to Change Requests for T2S Release 1.3 earlier.

In the previous two T2S Releases updated XSD files were shared with the market as part of the draft release note for the interoperability environment (EAC), which is usually available approx. 2 weeks prior to deployment of the changes in the EAC test environment. The CRG members mentioned that the time period was not sufficient for them to make necessary changes to their internal systems.

The 4CB informed that the changes to XSD files can be retrieved from the detailed assessment of the three Change Requests which are part of Release 1.3 i.e. Change Request T2S-0496-SYS (Add “CA Event Identifier” and reason code “Cancellation due to TRAN” in sese.024), Change Request T2S-0576-SYS (Handling of leading and trailing "blanks" and "/" in A2A and U2A attributes (many XSDs affected) and Change Request T2S-0549-SYS (Semt.016 and Semt.017 reporting for Partial Settlement made SMPG compliant).

The CRG acknowledged that the detailed assessment of the Change Request includes the information necessary on user’s side to implement the schema.

Some CRG members explained that they use the XSD files received from 4CB as part of their software code, therefore, they must have these files as early as possible. These CRG members indicated that the delivery of XSD files 2 weeks before EAC delivery is too short for CSDs/NCBs for preparation and update of their internal systems. The 4CB could share the preliminary version of the XSD files earlier and it is acceptable to receive a final version later, in case minor changes to these files have been necessary on the 4CB side. The issue was less relevant for DCPs, as the updated XSD files are usually available 8-10 weeks prior to deployment in the UTEST environment.

The 4CB explained that they need to test the updated XSD files before publishing it on the MyStandards platform and sharing it with the CSDs/NCBs. It is difficult to change the current testing plan for Release 1.3 without an impact on other activities. However if the CRG members consider that the information provided in the detailed assessment is not sufficient to derive the necessary changes then earlier delivery of XSD files in EAC environment could be considered for future releases.

CRG decision: The CRG agreed to indicate their minimum requirement for publication of XSD files in terms of weeks prior to the deployment of changes in the EAC environment via a written procedure and share the feedback with the RMSG.

Action points: The CRG will indicate in a written procedure by 18 November 2016 their minimum requirement for publication of XSD files in terms of weeks prior to the deployment of changes in the EAC environment.

4. Any other business

Implication of having one leg of a transaction with ADEA (Accept After Regular Settlement Deadline) – item 18 of Change Request T2S-0584-URD (Editorial Change Request on URD, GFS, UDFS and UHB)

A CRG member raised the topic of implication of having one leg of a transaction with ADEA (Accept After Regular Settlement Deadline) in the context of the T2S behaviour clarified in the item 18 of Change Request T2S-0584-URD (Editorial Change Request on URD, GFS, UDFS and UHB).

The CRG was informed that currently transactions in T2S are considered BATM (Bilaterally Agreed Treasury Management) if at least one leg of the instruction contains the transaction condition code ADEA. Such transaction is eligible for settlement after DVP cut-off (16:00) until the BATM cut-off (17:40). Since ADEA is set only in the one leg of transaction, the counterparty would not be aware of

it until the instruction settles after 16:00 potentially and this could have impact on client's liquidity management.

A CRG member mentioned that eligibility of a transaction for the settlement at BATM cut-off based on a unilateral flag would result in a risk. If the counterparty is not aware that the settlement instructions could potentially settle after the DVP then cash made available for auto-collateralisation reimbursement could be used by the instructions with ADEA which could lead to collateral relocation.

The CRG was informed that the topic is important in the context of Change Request T2S-0609-SYS (T2S must be able to report 'PENF' settlement status for settlement instructions for which settlement at the Intended Settlement Date (ISD) is no longer possible). On the intended settlement date (ISD) T2S would report the status PENF in case the instructions remains unmatched at the DVP cut-off, however it is possible that the instruction settles after the DVP cut-off if it matches with another instruction with the ADEA flag in it. This would result in wrong reporting of status to the client and could also have implications on the penalty calculation.

The CRG agreed that a transaction should be considered for BATM only if both legs of the transaction contain the flag ADEA. A CRG member agreed to raise a Change Request to change T2S behaviour to ensure that the transaction is considered for settlement after the DVP cut-off only when both parties include the flag ADEA in their respective legs of transaction.

The CRG agreed to inform OMG about the CRG discussion on the topic. The CRG also agreed to share the potential Change Request with the Directly Connected Parties Group (DCPG) and Working Group on TARGET2 (WGT2).

CRG decision: The CRG agreed that a Change Request should be raised to change the T2S behaviour so that only when both parties include ADEA (Accept After Regular Settlement Deadline), T2S should consider the transaction for settlement after the DVP cut-off.

Action points:

- The ECB will inform OMG about the CRG discussion on the topic of implication of having one leg of a transaction with ADEA.
- A CSD will raise a Change Request and it will be discussed during the CRG meeting on 12-13 December 2016.

Updated list of Change Requests on hold for future Releases

The CRG was informed that as indicated by the PMG, the Release 2.0 would consist of Change Requests that primarily focus on the stabilisation of operations and operational efficiency of the T2S platform. The ECB will propose an initial list of Change Requests that are required for the operational efficiency and stabilisation of T2S platform and the CRG members could provide their views on this list i.e. if they consider if any Change Request needs to be added/removed from the list.

Action points: The ECB will propose a list of Change Requests that are important for stabilising operations and ensuring operational efficiency of the T2S platform. The list will be shared with the

CRG to get feedback if the CRG agrees with the list or they would like to suggest any modifications to the list.