

Market consultation feedback on T2S user requirements and annexes

Feedback on T2S User Requirements and Annexes

submitted by

Eurex Clearing AG

Nbr	Chapter/ Annex nbr	Page	Line	Topic	Comments	Suggested drafting change	Confidential Y/N
1	2,			2.5 Settlement Currencies	The settlement in currencies other than Euro shall be technically capable but not from day one. Moreover the offering of additional currencies will depend on the initiative of the respective NCB. So a broad range of currency coverage is not very likely. The CCP requirements for a multi currency settlement may be covered by 'Cash settlement outside T2S; so called 'conditional settlement'. It seems that it will be up to the respective CSD to offer a solution for settling against currencies other than Euro	N/A	N
2	3,			3.1.4 Deadline for receiving DvP instructions	Today Eurex Repo Same day settlements can be settled until 17:00 (see RTS). 16:00 is too short - refer to our remark during the public consultation last year.	The settlement process of e.g. 'Eurex Repo Same day settlement' has to be aligned with the process for DvP; - in case of bilateral agreement the settlement until 18:00 h must be allowed.	N
3	4,	4		4 Role Requirements	Figure 4-1 indicates a T2S role 'central counterpart' on level 3 of the role hierarchy. However in the explanation such a specific role is not mentioned any further. As in the current stage it is premature to define specific functions that a role will include, it is also premature to state that a specific 'Central counterpart' role is not necessary. There may be the need for such a role specifically regarding 'on-behalf' instructions and cancellations.	N/A	N
4	5,			5 Instruction Lifecycle Management and Matching Requirements	Cancellation can be performed unilaterally only before matching. This contradicts with Annex 13, page 5, line 17-18 where it is stated that CCP can cancel matched and unmatched instructions unilaterally.	The CCP needs to be able to control both sides of the transactions unilaterally under POA independent whether the status of the instructions is matched or unmatched. Both chapters must be synchronised.	N

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5	6,	4	24-26	6.1.1.1 Features of the cash account structure	Page 4, line 24 and 26: T2S dedicated cash accounts shall only be opened by the respective NCB and page 5, line 12 and 13 states that the T2S dedicated cash account and the linked RTGS cash account must be held with the same NCB. Compared with chapter 3.1, does that mean that for each CSD assigned to "its" NCB a separate T2S dedicated cash account as well as a separat RTGS cash account is necessary? This seems to be in conflict with the TARGET2 cash cross boarder payment objective.	N/A	N
6	7,			7.2.2 Prioritisation	CCP instructions should have a high prioritisation. No clear definition in the document. The requirement is that the CCP has at least one own prioritisation level which is higher than the prioritisation level for normal CSD transactions.	N/A	N
7	11,			11.9.2 Roles	A separate CCP role should be defined e.g., to capture Power of Attorney privileges, specific settlement priorities	N/A	N
8	12,			12.3 Connectivity requirements	Realtime lifecycle information is crucial for CCP processing, an efficient broadcasting mechanism will be required. A query is not an adequate mechanism to efficiently mirror open settlement instructions in the CCP risk management. Furthermore, the CCP may need the right to unilaterally cancel instructions or perform cancellation matching for both sides based on a PoA.	The CCP needs access to the subscription service.	N
9	13,			13 Messages and reports requirements	It is necessary that the CCP receives lifecycle information (e.g., duplicates) related to its instructions even though they may be entered on behalf of other participants based on a PoA. While this message flow is covered in ch13, additionally a specific subscription type may be required for this.	N/A	N
10	Annex 13.			3.1 Accounts	Chapter 3.1 indicates, that not only securities but also cash accounts are held with a specific CSD. It also states, that a securities account shall remain legally attributed to a single CSD. Does this mean, that a cash account needs to be maintained per CSD? Our expectation was to use one Target 2 cash account to fund several CSD accounts. (See also our comment to chapter 6)	N/A	N
11	5.4.3, 12	19		CCP cancellation of instructions	The CCP may need the right to unilaterally cancel instructions or perform cancellation matching for both sides based on a POA.	N/A	N

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12	5.1 onwards	8 onwards	13-15	1.5. Communication of settlement status	<p>In the URD it is stated that a recycling period of zero days is possible. To be more flexible the CCP also needs the possibility to determine at what point in time the failed instructions should be deleted.</p> <p>Therefore the recycling period that is stored in the T2S static data should be supplemented by a time field. If the time field is zero the cancellation of the failed instructions should take place at the end of the daytime processing.</p> <p>From the CCP point of view it is also necessary to define the cancellation conditions per instrument type (CFI). Beside days and time the recycling period should therefore also include the instrument type.</p> <p><u>Example:</u> recycling period equal zero, deletion time 15:00 CET, instrument type equal 'equity'. In that case all failed instructions for equities should be cancelled at 15:00 at the intended settlement date.</p>	N/A	N
13	8.1.2	7 onwards	22 - 29	Use of technical netting	It is required that the efficiency of the T2S optimisation cycle is as high as possible to ensure that the CCP does not need more liquidity as today.	N/A	N
14	8.1.2	7 onwards	22 - 29	Use of technical netting	<p>It is requested that for the T2S optimisation cycle beside DvP, RvP instructions also pure cash payments via PFOD are included:</p> <ol style="list-style-type: none"> 1) PFOD debit (cash from member account towards ECAG Clearing account) 2) all other non cash only instruction types like DvP, RvP, ... 3) PFOD credit (cash from ECAG account towards members account) <p>Remark: since in T2S security and dedicated cash accounts are available T2S should make use of this advantage.</p> <p>For pure cash payments via PFOD the sorting order must be:</p> <ol style="list-style-type: none"> 1) debit (cash from member account towards ECAG Clearing account) 2) credit (cash from ECAG account towards members account) 	N/A	N

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15	8.1.6	17	7 onwards	Partial settlement - threshold	<p>The threshold in case of partial settlement must be as small as possible.</p> <p>In order to avoid rounding issues and issues with FoP instructions the threshold must be based on the nominal amount of the instruction.</p>	N/A	N
16	8.1.6	16	10 onwards	Need for agreement for partial settlement	In the URD it is stated that the CSDs and CCPs can opt for mandatory partial settlement and that the customers can flag their instructions for partial settlement.	Our understanding is that CCP's can only opt for partial settlement if the respective CSD is capable. For competition aspects it is important that all CSDs in T2S offer partial settlement functionality.	N
17	13.5.1.2	40	1 onwards	Need for flexibility in connection with report requirement	In chapter 13 it is described that reports are either triggered by an event or that the reports are provided at a fixed time.	To minimize the adaption effort of the various CSDs and CCPs with respect to the processing schedule, CSDs and CCPs must get the possibility to determine at what point in time the various reports should be provided. This information should be stored in the T2S static data.	N