

T2S PROGRAMME OFFICE

16 March 2016

v1.0

Contact person: Alejandro del Campo Roiz de la Parra

Phone: +49 69 1344 7910

E-mail: T2S.CRG@ecb.int

Final Summary

Meeting of the Change Review Group

08 February 2016, from 11:00 to 17:30

09 February 2016, from 9:00 to 17:30

held at the European Central Bank, Frankfurt am Main (room C2.05)

1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants. The Chairperson also welcomed the new CRG member Anca Parau from Banco de España. The Chairperson informed that the main objective of the meeting was to initiate prioritisation exercise for Release 1.3 with an aim of formulating a tentative scope for Release 1.3. The Chairperson went through other agenda items which included addition of CR-589 to Release 1.1, proposal to add new CRs for R1.2 to R1.1.5 following the PMG meeting on 4 February 2016, addition of CR-582 to R1.2, CR-558 from the CSG Task Force on Insolvency, 4 UTSG topics, nine other Change Requests, updated DMT file format specifications and internal improvement to the T2S billing process.

The Chairperson informed that technical standards for CSDR has been published and there would be a new group formed within T2S governance to analyse whether CSDs has any requirements towards T2S for complying with the CSDR. The potential changes in T2S due to CSDR requirements would probably be addressed in a separate Task Force.

2. Feedback on action points from previous CRG meetings

The participants were informed about the follow-up related to the action points from previous CRG meetings and status of following open action points was provided.

Regarding **T2SACTION-2191** (Change Request T2S-0558-SYS: Enhance functionality to prevent acceptance (i.e. reaching SF1) of new settlement instructions based on the DCA holder- The CRG will inform the OMG that the moment of declaration of insolvency to trigger the procedures needs to be determined as part of the operational procedures), the ECB informed that the OMG was of the view that the moment of declaration of insolvency should be followed as the one which was already defined by the CSG Task Force on insolvency. The CSG TF on insolvency defined that the insolvency procedure should be applied from the moment they are made aware to the CSD/NCBs, which could be later than the moment of declaration of the insolvency of a Party.

Regarding **T2SACTION-2161** (UT-PBR-060: Changing the "Positive/Negative Parameter Set" in Restriction Type Case one -INC000000171580 - The 4CB will update the scope defining documents to clarify that change of the positive/negative parameter of a restriction type is not possible), the 4CB confirmed that the scope defining document will be updated in a non-editorial CR. This action point remains open.

Regarding **T2SACTION-2159** (The 4CB will compile a list of their questions to the CR initiators for the CRs on hold), the 4CB informed that the question will be shared at the time of discussion on the Change Requests for Release 2.0.

Regarding **T2SACTION-2153, T2SACTION-2152, T2SACTION-2150 and T2SACTION-2149** (related to the Change Request T2S-0580-SYS (Additional automatic intraday reimbursement of NCB auto collateralisation instructions), the ECB informed that the updated Change Request was awaited from the CR initiator. These action points remain open.

Regarding **T2SACTION-2142** (Change Request T2S-0565-SYS: T2S should reject settlement instructions for external CSD settlement that include a linkage - The 4CB will update the scope defining documents to clarify that a non-reciprocal link does not prevent the settlement of the instruction on CoSD Hold), the 4CB confirmed that the scope defining documents will be updated in an editorial CR. This action point remains open.

Regarding **T2SACTION-2111** (T2S-0565-SYS: T2S should reject settlement instructions for external CSD settlement that include a linkage - A CRG member will inform the CRG about the outcome of the discussion on the Change Request T2S-0565-SYS in the CSD experts group), the CRG member informed that the Change Request will be updated following discussion in the CSD experts group. This action point remains open.

Regarding **T2SACTION-2089** (UT-PBR-055 (Earmarking at account level in context of client collateralisation - INC168212 - CRG members (Monte Titoli and Banca d'Italia) will bilaterally discuss with 4CB on the migration/transition related concerns for earmarked securities accounts and share the outcome of the discussion with the CRG), the ECB informed that there was ongoing bilateral discussion between ECB and Monte Titoli on this topic. This action point remains open.

Regarding **T2SACTION-2068** (Topic 10: New message subscription parameters for cash account, cash parties and instructing party - Central Banks will check whether this topic can be dropped, needs a CR or to be parked for future releases), the CRG members from Central Banks confirmed that this topic could be dropped from the list of topics for future releases.

Regarding **T2SACTION-2044** (T2S-0557-SYS (Skip validations on minimum settlement unit (MSU) and settlement unit multiple (SUM) for settlement instructions related to Market Claims and Transformations - The CRG will check with the CASG on how to deal with the odd quantities for Market Claims and Transformation which are not compliant with the SUM or MSU for the security as per the corporate action standards), the ECB informed that the CASG feedback on whether the implementation of the Change Request would be as per the T2S CASG standards was awaited. Few CRG members expressed their frustration and dissatisfaction at not having timely feedback from the CASG after their last meeting on 12 January 2016. The CRG agreed to send a message to CASG Chairperson for providing the feedback at the earliest.

3. Approval of the summary of previous meetings

The ECB informed that the following summaries of the CRG meetings/telcos were updated following the CRG comments.

- Summary of the CRG meeting of 15 December 2015
- Summary of the CRG Telco of 18 December 2015
- Summary of the CRG written procedure from 22 to 29 January 2016

The participants did not raise any objections to the final approval of the summaries of the CRG meeting of 15 December 2015, the CRG Telco of 8 December 2015 and the CRG written procedure from 22 to 29 January 2016. These summaries were approved by the CRG.

4. Prioritisation of Change Requests for T2S Release 1.3

The participants went through the candidate list of potential Change Requests for Release 1.3 with the objective of defining a tentative scope of Release 1.3. The CRG identified following 10 Change Requests out of original list of 32 Change Requests as candidates for the Release 1.3 (see details below). The CRG acknowledged that few additional Change Requests including a supplementary Change Request for CR-558 to apply rejection at Party level, CR-560, a change of solution for CR 565, and potential CR(s) on enhancement of T2S billing, may require to be included in the Release 1.3. Information about the CRs 446, 355 and 557 in the list below depend on feedback from other governance bodies (OMG, CASG). The CRG identified missing information which requires further drafting of few CRs that will be collected and discussed in a next CRG teleconference on 24 February 2016. The aim of the teleconference on 24 February 2016 will be to decide on the list of R1.3 CRs for which a preliminary assessment (High/Medium/Low) will be requested from 4CB.

CR Number	CR Title
T2S-0573-SYS	Reporting of actually impacted securities Sub-Balance Type in settlement confirmation and intra-position movement confirmation
T2S-0564-SYS	T2S should also validate the counterparty's securities account in a unmatched settlement instruction
T2S-0549-SYS	Alignment of partial settlement reporting with SMPG standards
T2S-0548-SYS	CB access to CMB securities account link list query
T2S-0496-SYS	Add "Corporate Action Event Identifier" and reason code "Cancellation due to transformation" in sese.024
T2S-0446-SYS	Blocking of U2A interface for submitting new instructions to T2S during reconciliation process post RAD (Recovery After Disaster)
T2S-0355-URD	New account flag "negative position only"
T2S-0576-SYS	Handling of leading and trailing "blanks" and "/" in A2A and U2A attributes
T2S-0557-SYS	To apply identical validations while settling CLAI and TRAN instructions as applied for Corporate Action instructions
T2S-0565-SYS	T2S should reject settlement instructions for external CSD settlement that include a linkage

Change Request T2S-0346-URD (In the settlement process of an instruction without a link, T2S should consider any other unmatched instructions having a link with it)

The aim of the Change Request is to consider the "WITH" or "BEFO" link indicator in an instruction in all cases. The instruction containing the "WITH" and the target instruction (which reference is present within the linkage section) shall settle together. The only exception is the case when the target instruction is already settled when T2S receives the instruction containing the "WITH" or "BEFO"

The 4CB explained that it's a high-impact Change Request as it would require a design change in terms of availability of link information due to the parallelisation as well as this change is expected to cause a performance impact.

The CRG agreed that the Change Request is not urgent to be included in Release 1.3.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0350-URD (Pre-defined orders for end-of-day FOP account transfers)

The aim of the Change Request is to provide a functionality to submit to T2S Pre-defined Orders for EOD FOP transfers. Technically, these Pre-defined Orders should be realised in the form of FOP Settlement Instructions with a specific flag. The Settlement Instructions with this flag must be automatically released and (partially) settled by T2S as part of the EOD processing, after a last settlement attempt was made for the "normal" FOP instructions.

The CR initiator explained that the Change Request was required to avoid restricting settlement on certain securities account for specific type securities on a particular business day for a short duration before the EOD. The Harmonisation Steering Group (HSG) concluded that such restriction does not affect the harmonisation in this specific case and therefore the Change Request was not required any more by the initiator.

Another CRG member explained that they required the Change Request to comply with the new market rule introduced by the recent market reforms. These rules require that the individual securities account should not contain any position at the EOD and therefore there is a need to transfer securities positions from individual account to financial intermediary account before the EOD.

Two CRG members explained that they have a similar processes followed by their CSDs in which they would use a solution to configure restriction for blocking settlement for few clients on whose account such transfer are required just before the EOD.

The CRG acknowledged that the Change Request is probably entails high implementation efforts. CRG members (Euroclear, Iberclear, VP Securities and SGSS) agreed to share the description of the business cases which requires restricting settlement to allow specific transfers towards EOD, to include these business cases in the CR. The CR initiator will update the CR.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Action Points:

- CRG members (Iberclear, Euroclear, SGSS and VP securities) will provide their business cases which require restricting settlement to allow specific transfers towards EOD, to include these business cases in the CR. The CR initiator will update the CR.

Change Request T2S-0355-URD (New securities account flag “negative position only”)

The aim of the Change Request is to add a new option to the “negative position indicator” which indicates that only negative positions can be held in that account. Currently the options ‘only positive positions’ and ‘positive as well as negative positions’ are present.

A CRG member expressed that the Change Request is required to ensure that the issuance and mirror account never hold positive positions, otherwise it would result into an operational risk. Another CRG member expressed that the negative only position should be allowed for issuance and mirror accounts. The CRG member proposed an easier solution to allow only negative positions on issuance and mirror account keeping the existing flags. This solution will avoid impact on ISO message schema as well as on T2S actors/CSDs regression test.

A CRG member from already migrated CSD expressed that the regression impact of the Change Request should be checked carefully, as the Change Request intend to touch the provision check component of core settlement module in T2S.

The CRG agreed to check with the OMG for their feedback on whether the OMG shares the assumptions of the CRG, that the CR-355 is not necessary for Release 1.3, if the OMG confirms that

the operational risk of having positive positions in mirror and issuance account which are typically under control of CSDs is acceptable until Release 2.0.

CRG decision: The CRG decided to consider the Change Request for Release 1.3, pending OMG feedback.

Action points

- The ECB to initiate a written procedure with the OMG to obtain feedback whether the OMG shares the assumptions of the CRG, that the CR 355 is not necessary for R1.3 and the operational risk is acceptable.

Change Request T2S-0359-SYS (Change of hold/release should be notified to counterparty before the Intended Settlement Date)

The aim of the Change Request is to communicate hold statuses of counterparty to party before the Intended Settlement Day (and after the intended settlement day in case of late settlement).

A CRG member explained that their clients are depending on this change request to provide the counterparty status before the intended settlement date to arrive at a fairly accurate view of the counterparty status and use the information to manage liquidity within their system. The CRG member highlighted that Danish bond market involves huge amount in settlement and it is very important to know whether counterparty is not ready to settle earlier, however the CRG member was fine to have the Change Request for Release 2.0.

The Eurosystem highlighted that hold/release is expected mostly during the end of day process and therefore providing the counterparty hold status may not be very useful as status changes very quickly. It is not clear whether the Change Request would facilitate the liquidity management because it could be expected that settlement instructions would be released by the end of the day before ISD. Also, for intra-CSD scenario, the CSD is aware of counterparty status and can provide such information.

Another CRG member indicated that hold due to CSD validation rules are released immediately after the checks at the CSD side and therefore counterparty hold due to CSD validation reason could carry different action for liquidity management. The CRG member also indicated that possibly a new reason code may be required to identify that counterparty release is done before the ISD. A CRG member indicated that the cash forecast also does not provide the counterparty status which has similar business use for managing the liquidity efficiently.

The CRG agreed to put the CR on hold for release 2.0 and include the CR for discussion in the technical workshop on T2S cash forecast and message output optimisation.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Action Points:

- The ECB team will check on how the counterparty would be advised of the release of the other leg once notified the PRCY before the ISD. It seems currently there are no means for that

which was flagged by CRG members as worsening the situation. If required, SGMS consultation would be done.

- The ECB will include the CR-359 in the “Workshop on T2S cash forecast and message output optimisation” scheduled on 23 February 2016

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

The aim of the Change Request is to allow T2S actors to send already matched securities settlement instructions both for intra-CSD and for cross-CSD settlement.

The CRG agreed to mark the change request as potential candidate for release 2.0 considering that no-one has nominated it as showstopper for inclusion in release 1.3.

CRG decision

The CRG decided to put the Change Request on hold and identified as potential candidate for Release 2.0.

Change Request T2S-0384-URD (A2A message to make securities ineligible for auto-collateralisation)

The aim of the Change Request is to remove the eligibility of securities that have lost their eligibility status via 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 agreed to mark the change request as potential candidate for release 2.0 considering that no-one has nominated it as showstopper for inclusion in release 1.3.

CRG decision

The CRG decided to put the Change Request on hold and identified as potential candidate for Release 2.0.

Change Request T2S-0397-SYS (Addition of the Category attribute to the static data entities Securities, Party and Securities Account)

The aim of the Change Request is to add new attribute to the following static data entities:

- Securities – Securities category
- Party – Party category
- Securities account – Securities account category

The CRG agreed to mark the change request as potential candidate for release 2.0 considering that no-one has nominated it as showstopper for inclusion in release 1.3.

CRG decision: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 2.0.

Change Request T2S-0446-SYS (Blocking of U2A interface for submitting new instructions to T2S during reconciliation process post RAD (Recovery After Disaster))

The aim of the Change Request is Develop a functionality to allow the T2S Operator to prevent the submission and verification of new U2A instructions restrictions and cancellations for cash and securities, in the T2S GUI in case of a regional disaster when T2S will failover to second region. The modification of instructions including priority, partial settlement, linkage, hold and release, etc. should also be prevented. However, the T2S GUI should still be available, supporting the usage of the GUI for monitoring (displaying the status)

The CRG agreed to check with the OMG for their feedback on the whether the OMG shares the assumptions of the CRG that the CR is not necessary for R1.3 and the operational risk is acceptable.

CRG decision: The CRG decided to consider the Change Request for Release 1.3, pending OMG feedback.

Action point

- The CRG will check with the OMG for their feedback on whether the CR-446 shall be included for later release and whether the OMG shares the assumptions of the CRG that the CR is not necessary for R1.3 and the operational risk is acceptable

Change Request T2S-0496-SYS (Add “Corporate Action Event Identifier” and reason code “Cancellation due to transformation” in sese.024)

The aim of the Change Request is to add the field Corporate Action Event Identification (CorpActnEvtId) in the Transaction Details (TxDtIs) sequence of the sese.024.

A CRG member expressed that the Change Request is important for their clients to manage the corporate actions processing. The CRG took note that the Change Request is foreseen by the CASG as a longer term solution along with the Change Request T2S-0520-SYS (Add new fields to T2S messages sese.020, sese.024 and sese.025 needed for CA processing) and may not help on its own, given that the information to the underlying corporate action instructions are not known. The Change Request T2S-0495-SYS (Add settlement transaction condition code “TRAN” as a possible message subscription parameter) was already implemented in the Release 1.1 and accepted by the markets as interim solution.

The CRG decided to tentatively include the Change Request for Release 1.3 and review the inclusion taking into considering the total size of release 1.3 CRs.

CRG decision: The CRG decided to put the Change Request on hold and identified as tentative candidate for Release 1.3.

Change Request T2S-0503-SYS (T2S Actor Reference and T2S Reference of counterparty's settlement instruction should be included in T2S messages sese.024, sese.025 and sese.032 after matching)

The aim of the Change Request is to provide counterparty's T2S actor reference and counterparty's T2S reference (i.e. counterparty's Market Infrastructure Transaction Identification - MITI) in the receiving/delivering parties block or the message's supplementary data in the post-match status advice (sese.024), settlement confirmation (sese.025) and T2S generated realignment instruction (sese.032).

A CRG member explained that the Change Request is required to address the issue related to receiving T2S message in unexpected sequence and the current workaround employed by their CSD resulted into service degradation to their clients. The CRG member also expressed that the inclusion of required references in the supplementary data should not impact T2S actors. The CRG member highlighted that the Change Request was also required by another CSD.

The 4CB explained that the Change Request would impact the interface module and also emphasized that the message standardisation recommends not adding information to the supplementary data of standard message fields. Also, the Change Request T2S-0389-SYS (Reference to identify instructions matched in T2S and identification of origin of CoSD generated blockings) already had foreseen an implementation to detect the counterparty instructions.

The CRG acknowledged that the Change Request was important for a CSD though not a showstopper and therefore the CRG agreed to put the Change Request on hold for Release 2.0.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Action Points:

- ECB will check with the CRG member (OeKB) on whether they consider the Change Request as showstopper for Release 1.3

Change Request T2S-0515-SYS (Allow instructions from CSD participants for n days after maturity date of security)

The aim of the Change Request is to allow instructions in T2S from CSD participants for n days after the maturity date of an ISIN. During this period the instructions sent by CSD participants should be validated and allowed to match but not settle (with the exception of CCP PFOD instructions which should be allowed to settle). After the end of this period of n days after the maturity date of an ISIN, all instructions from CSD participants, irrespective of their matching status, should be cancelled by T2S.

A CRG member explained that the Change Request is required mainly by DCPs to instruct on or after the Maturity date. However another CRG member contended this view; it would depend on whether the CSD sends their ICP instructions with the CSD or the ICP as instructing party. It was agreed to update the Change Request to include that the CR also required for ICP instructions when they are sent by CSDs with ICP as instructing party. A CRG member also suggested a workaround to set-up

the maturity date in T2S static data as 20 business days later than the actual maturity date of the security.

The CRG agreed to put the Change Request on hold for Release 2.0. The CRG also agreed to inform the CSG that the CSD would require to support the CSD participants for instructing on or after the maturity date until the CR-515 is implemented.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Action Points:

- The CR initiator will update the CR to clarify that the CR is also relevant for ICPs if they are instructing party in their instructions.
- The CSG will be asked whether each CSD will provide a solution for their market participants, until the CR is implemented (e.g. a CSD can send settlement instruction on behalf of ICP/DCP on or after the maturity date of ISIN with CSD as instructing party or CSD set-up the maturity date in T2S static data as 20 business days later than the actual maturity date of the security).

Change Request T2S-0519-SYS (Add Short/Long Indicator for all positions/sub-positions in Statement of Holdings (semt.002) report)

The aim of the Change Request is to add Short/Long Indicator to all positions/sub-positions in the statement of holdings report (semt.002) to correctly report negative/positive positions at individual sub-position level.

The CRG took note that the Change Request requires ISO changes in the message semt.002 which could be possibly available in 2017. The CRG agreed to put the Change Request on hold for Release 2.0 considering that the migration to the latest version of ISO messages was planned after the migration of all waves.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0520-SYS (Add new fields to T2S messages sese.020, sese.024 and sese.025 needed for CA processing)

The aim of the Change Request is to i) replicate the linkages sequence (Lnkgs) in sese.024 and sese.025, if present in sese.023 and ii) to add in sese.020 a reason code to indicate that the reason for the cancellation request is made for the purpose of transformation and provide the field Corporate Action Event Identification (CorpActnEvtId) to identify for which CA event the cancellation request is being made.

The CRG took note that the Change Request requires ISO changes in the messages sese.020, sese.024 and sese.025 which could be possibly available in 2017. The CRG agreed to put the Change Request on hold for Release 2.0 considering that the migration to the latest version of ISO messages was planned after the migration of all waves.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0525-SYS (Provide Restriction Type name in reason code due to Market Specific Restriction Types)

The aim of the Change Request is to provide restriction type name and restriction type description (in U2A as well as A2A) in the status message rejected/put on hold due to MSRT rule.

A CRG member expressed that the Change Request was important for their CSD participants. Another CRG member representing DCP supported the Change Request as it would ease their operations.

The 4CB explained that there were two possible options as given below to implement the Change Request and both these options would have critical impact on interface between modules. These options were (i) backend domain provide the restriction type information to the interface which may cause regression and (ii) make the restriction type information available at interface model which may cause the performance impact. The 4CB also explained that Release 2.0 would be a better opportunity to implement such changes than Release 1.3, considering that sufficient time would be available for development and testing for Release 2.0.

A CRG member expressed that implementation of more number of Changes Requests between the migrations waves would be difficult to test for the already migrated CSDs. The CRG took note that the scope discussion for Release 2.0 were planned for Q3 of 2016 and those Change Requests which could not be accommodated in releases between migration waves would by default be considered during the scope discussion for Release 2.0.

The CRG acknowledged that the Change Request would be mostly useful for the DCPs as it would ease the manual process to manage the rejection or CSD validation hold due to restriction type, however the CR would not replace the manual process with the STP/automatic process. Also, CSDs confirmed that they were planning to publish their restriction rules which could facilitate DCPs to manage the rejection or CSD validation hold due to restriction type.

The CRG agreed to put the Change Request on hold for Release 2.0.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0528-SYS (T2S should allow the modification of possible values for an Attribute domain linked to a Market-specific attribute)

The aim of the Change Request is allow modification of possible values for an attribute domain even if the MSA is linked to the T2S attribute domain.

The 4CB explained that the T2S Operator could change attribute domain values which is linked to a market-specific attribute on request of CSD. A CRG member expressed that the operational procedure for such request to T2S Operator is not yet described. The CRG agreed to follow-up with the OMG to check on the status of the operational procedure for changing the attribute domain values.

The CRG decided to put the Change Request on hold for Release 2.0 in view of the possibility of changing the attribute domain values by T2S Operator on request from CSD.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0532-SYS (Hold/release default at account level should not override the Hold/Release indicator defined at instruction level)

The aim of the Change Request is to allow any hold/release status informed at instruction level to override “hold release default” parameter defined for the securities account. The parameter should only apply to instructions without the explicit hold/release status.

A CRG member indicated that this CR solves a situation where their participants are not able to override the default hold indicated on the accounts, this is particularly problematic in the case of corporate action instructions. Currently the CSD has opted not to use the default hold on the securities account but would like to have the change implemented via the CR to start using the T2S feature. Another CSD also indicated that they do not use the feature of default hold as they don’t want this feature to interfere with the settlement of corporate actions.

The CRG agreed to keep this change request for Release 2.0 as many CSDs have decided not to use this feature of T2S.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0534-SYS (CFI code of a security should be modifiable)

The aim of the Change Request is to allow CSDs to change the CFI code of an existing security in T2S static data.

A CRG member explained that the Change Request is required as they expect change of CFI codes for number of securities due to new rules in their market.

The 4CB clarified that the last level intervention (LLI) procedure could be used to change the CFI code of a security however such a procedure would not be feasible due to the risk if such changes are required frequently or for mass updates.

The CRG members agreed to check the number of securities and expected frequency for change of CFI codes in their markets.

A CRG member expressed that “country of issuance” should also be made modifiable.

The CRG decided to put the Change Request on hold for Release 2.0 considering that the CFI code could be changed using LLI.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Action points:

- CRG members will check on the number of ISINs and the timing when the CFI codes for such ISINs are expected to be changed in their market, if any.

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

The aim of the Change Request is to implement a bulk-release functionality for settlement instructions in the T2S GUI to allow T2S GUI users to release pending settlement instructions (i.e. pending reverse collateral instructions of T2S auto-collateralisation and any other settlement

instructions) according to specific selection criteria (such as e.g. ISO transaction code, counterparty, collateral receiving account, CSD etc.). The bulk release should be possible for (a) all queried pending instructions or (b) some selected instructions out of the displayed list for release.

A CRG member explained that the Change Request was required by the Payment Banks to ease the operational burden involved in release reimbursement instructions one by one via T2S GUI. Another CRG member expressed that the Change Request would be required mainly when the A2A channel is not working and the users has to reimbursement instructions through T2S GUI. The 4CB explained that the U2A channel cannot be viewed as mere replacement of the A2A channel in terms of the usage. Conversely, another CRG member was of the opinion that the CR would also be very useful for ordinary daily activities, notably for those payment banks which are directly connected to the platform on the cash side in U2A mode only, as already happens in the production environment.

The CRG acknowledged that this Change Request should be discussed along with other cash related requirements in the Technical workshop on T2S cash forecast and message output optimisation on 23 February 2016.

The CRG decided to put the Change Request on hold for Release 2.0 as it was not seen as urgent.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Action Points:

- The ECB will include the CR-541 in the “Workshop on T2S cash forecast and message output optimisation” scheduled on 23 February 2016

Change Request T2S-0542-SYS (Enrich the Bank To Customer Debit/Credit Notification (camt.054) with data elements securities account Owner Parent BIC and securities account Owner Party BIC)

The aim of the Change Request is to enrich the camt.054 (BankToCustomerDebitCreditNotification) with data elements Securities Account Owner Parent BIC and Securities Account Owner Party BIC so that the same information is provided as in the account statement.

A CRG member explained that the workaround of using the camt.053 (Bank To Customer Statement) which provides the data elements securities account Owner Parent BIC and securities account Owner Party BIC) would be an expensive solution as it is not available in delta mode.

The CRG agreed that the Change Request is not urgent to be included in Release 1.3.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0546-URD (New cut-offs for time-critical settlements (“settlement till” time-stamp) at settlement instruction level)

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 agreed to mark the change request as potential candidate for release 2.0 considering that no-one has nominated it as showstopper for inclusion in release 1.3.

CRG decision: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 2.0.

Change Request T2S-0548-SYS (Central Bank access to CMB securities account link list query)

The aim of the Change Request is allow Central Banks to query CMB securities account links related to DCAs under their data scope.

The CRG members from the Central Banks expressed their support to include this Change Request for Release 1.3. They indicated that this CR would help to manage collateral relocation and provides efficient monitoring for the CMB securities account links for the DCAs in their data scope whenever CBs require doing so in normal and abnormal situations. The 4CB highlighted that the CR implies change to default data scope where users from central banks can access the static data object within the datascope of CSDs. A CRG member from CSD expressed that the Central Banks should only see CMB securities account link for their DCAs.

The CRG agreed to consider this Change Request as potential candidate for release 1.3.

CRG decision: The CRG decided to put the Change Request on hold and identified as candidate for Release 1.3.

Change Request T2S-0549-SYS (Statement of Transactions and Statement of Settled Intra-Position Movements reporting for Partially Settled transactions to be made SMPG compliant)

The aim of the Change Request is to follow the SMPG standards on reporting of Cumulative Amount/Quantity in the statement of transaction (semt017) and in statement of settled intra-position movements (semt.016).

- For a transaction partially settled multiple times during the same business day, the statement of transaction and statement of settled intra-position movements should report the cumulative amount/quantity during that given business day.
- The delta version of the statement of transaction (semt017) and statement of settled intra-position movements (semt.016) should report the cumulative quantity/amount that settled during the reporting period of the delta report only.

A CRG member highlighted that their clients want it urgently as they do partial settlement and would be inefficient to restrict the partial settlement because of inconsistency between T2S behaviour and SMPG standards. Other CSDs from the final wave also expressed to implement this change request earlier to avoid any workaround for a short duration. The CRG acknowledged that the Change Request should be updated to also modify flat files for statement of transaction and statement of settled intra-position movements as per the SMPG standards.

The CRG agreed to include the Change Request as a candidate for Release 1.3.

CRG decision: The CRG decided to put the Change Request on hold and identified as candidate for Release 1.3.

Action point:

- The CR initiator will update the CR-549 to modify flat files for statement of transaction and statement of settled intra-position movements as per the SMPG standards.

Change Request T2S-0551-SYS (Reporting of Restriction References for CoSD blocked positions in the Statement of Holdings (semt.002))

The aim of the Change Request is to provide Restrictions References for restriction type COSP (CoSD blocking) on securities positions in the Statement of Holdings (semt.002).

The CRG agreed to put the Change Request on hold for Release 2.0 as it was not seen as urgent.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0556-SYS (Modification of cash forecast for the current and following business day after DVP cut-off)

The aim of the Change Request is to include only those instructions, which can still be settled during the current business day in the Current Settlement Day Cash Information Report as well as the Cash Forecast Query for the current business day, if the query /report are initiated after the event DVP cut-off has been finished. Moreover, the Following Settlement Day Cash Forecast Report as well as the Cash Forecast Query for the following business day, if initiated after the event DVP cut-off should also include instructions pending from previous days which cannot settle any more on the given business day, and which will only be re-attempted for settlement on the next business day.

The CRG acknowledged that this Change Request should be discussed along with other requirements related the cash forecast in the Technical workshop on T2S cash forecast and message output optimisation on 23 February 2016.

CRG decision: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 2.0.

Action Points:

- The ECB will include the CR-556 in the “Technical Workshop on T2S cash forecast and message output optimisation” scheduled on 23 February 2016

Change Request T2S-0557-SYS (Apply identical validations for settlement instructions related to Market Claims and Transformations as applied to instructions for Corporate Actions on stock)

The aim of the Change Request is to skip the check related to the minimum settlement unit (MSU) and settlement unit multiple (SUM) in case of claims and transformations related instructions (i.e. Settlement instructions with ISO Transaction code “CLAI” or settlement transaction condition code “TRAN”). Therefore the settlement quantity of claims and transformation related instructions can be equal, greater or lower than the minimum settlement unit of the security specified in the instruction and may not be in the multiples of settlement unit multiple of the security.

A CRG expressed that consistent validations should be applied on settlement instruction related to market claims and transformation as the ones applied to settlement instructions related to corporate

actions on stock (CR 497). Another CRG member was of the view that the CASG opinion on treatment of fractions in case of market claims and transformation is required to decide on the way forward on this Change Request.

The CRG acknowledged that clear guidance from CASG on handling fractions or odd quantities for market claims and transformations is required otherwise CSD would require adapting different practices to comply with the local market needs. However in the meantime, CSDs have identified several workarounds for taking care of this issue and no CRG member in the meeting identified this CR as a showstopper.

The CRG agreed to tentatively include the Change Request in Release 1.3 depending on the CASG feedback. In case of an absence of CASG feedback, then the CR will be moved to Release 2.0. In case of feedback, the CR would be re-discussed in the CRG telco on 24 February 2016.

CRG decision: The CRG decided to tentatively include the Change Request for Release 1.3 and review the inclusion taking into considering the CASG feedback.

Change Request T2S-0564-SYS (T2S should also validate the counterparty's securities account in a unmatched settlement instruction)

The aim of the Change Request is to adjust the business rules in T2S to validate the counterparty's securities account in an unmatched settlement instruction. Adjustment is required in Business rules MVCV001/002/273/274/280/281 so that the validations in these rules are performed for both delivering and receiving settlement instructions.

A CRG member indicated this CR reduces the operational issue when wrong counterparty securities account is included in the settlement instruction. T2S accepts such instructions and sends allegation to counterparty with information which cannot be used to create correct counterparty settlement instruction and therefore cannot be matched in T2S leading to operational issues. The CRG acknowledged that this can be avoided by the T2S Actor using the correct securities account number for the counterparty.

The 4CB clarified that the new business validation proposed in the Change Request would apply to both validation and re-validation process and would increase validation time to some extent.

The CRG agreed to include the Change Request as a candidate for Release 1.3.

CRG decision: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 1.3.

Change Request T2S-0565-SYS (T2S should reject settlement instructions for external CSD settlement that include a linkage)

The aim of the Change Request is to allow CSDs to remove links in instructions under CoSD.

The CR initiator explained that the Change Request is required only when the link is mentioned in the settlement instruction under CoSD hold considering the existing behaviour. Another CRG member

informed via e-Mail that the Change Request may impact their CoSD processing used for non-T2S currency settlement.

The CR initiator proposed to reconsider the scope of the Change Request for an alternative simpler solution to allow the amendment of the settlement instruction under CoSD hold for removing the linkage. This would meet the requirements of other CSDs using the CoSD, as the amendment of CoSD instruction will be at the discretion of the CSDs. The CR initiator agreed to update the Change Request for including the simpler solution. The 4CB agreed to check the feasibility of the proposal to allow CSDs to remove linkage from the settlement instruction subject to CoSD.

The CRG agreed to include the Change Request as candidate for Release 1.3

CRG decision: The CRG decided to include the Change Request as candidate for Release 1.3 and review the inclusion taking into considering the total size of release 1.3 CRs.

Action point:

- A CRG member (Clearstream) will update the CR-565 for including the simpler solution.
- The 4CB will provide feedback on the alternative simpler solution for CR-565 (change of business rule). Upon confirmation, the CR 565 will be updated.

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 SME and Security CSD links search.

The CRG agreed that the Change Request is not urgent to be included in Release 1.3 in view of the possibility to request T2S Operator for the information on SME or Security CSD links.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Action Points:

- The CRG will inform the OMG to define the operational procedure for providing Security CSD link information to CSDs by the T2S Operator upon CSD's request.

Change Request T2S-0573-SYS (Reporting of actually impacted securities Sub-Balance Type in settlement confirmation, statement of pending transactions and statement of settled transactions)

The aim of the Change Request is to report the actually impacted balances for the settlement. Therefore, sese.025 (settlement confirmation) messages and semt.015 (intra position movement confirmation) messages should report the position impacted by settlement. Particularly, when:

- the securities account is earmarked at account level
- T2S internally generated instructions for auto-collateralisation / client collateralisation and collateral relocation procedures

A CRG member of already migrated CSD indicated that it is important for them to remove the workarounds which are currently followed during the EOD and have inherent risk, and would like to have the change for release 1.3. Another CRG member highlighted the fact that nor the sese.025 nor the semt.015 are reporting the correct/full sub-balance identification makes it extremely complex to align to CSDR as they want to avoid any extra logic at their end to identify correctly booked sub balances. The CRG member also indicated that the workaround of earmarking collateral receiving account with EXXX will no longer be valid with introduction of DKK currency due to addition of separate restriction type for DKK currency. CRG members from wave 5 CSDs also expressed that the Change Request is important to be considered for implementation in Release 1.3.

The CRG expressed that they have already adapted to the existing behaviour and therefore they would need to adjust their adaption for this Change Request

A CRG member indicated to also to include the reporting of correct sub-balance in statement of transactions (semt.017) report. It was identified that the reporting change involves ISO change, and therefore the CRG agreed to check whether the change in reporting is needed.

The CRG agreed to include the Change Request as a candidate for Release 1.3.

CRG decision: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 1.3.

Action point:

- The CRG will provide their feedback whether the reporting needs enhancement to also include the sub-balance used during the booking process.

Change Request T2S-0576-SYS (Handling of leading and trailing "blanks" and "/" in A2A and U2A attributes)

The aim of the Change Request is to prohibit the use of leading blanks followed by "/" at the beginning or trailing blanks preceded by "/" to ensure valid outbound messages.

A CRG member explained that it is possible for user to successfully submit instructions which could result into outbound messages with invalid references that would fail xsd checks at T2S Actor ends and then T2S Actor would need to manage it operationally. The CRG member expressed that the Change Request should be implement as soon as possible to avoid such operational interventions.

CRG decision: The CRG decided to tentatively include the Change Request for Release 1.3 and review the inclusion taking into considering the total size of release 1.3 CRs.

Change Request T2S-0577-SYS (T2S should allow a report configuration with validity of one day)

The aim of the Change Request is to allow setup of report configuration for one day by modifying the Business rule DRCV050 so that Valid To date could be equal to or greater than the Valid From.

A CRG member clarified that if report is configured Valid From Friday and Valid to the following Saturday, then T2S will send the report only for Friday and this workaround is possible.

The CRG agreed that the Change Request is not urgent to be included in Release 1.3 in view of available workaround.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

Change Request T2S-0578-SYS (DCPs should be able to configure their party technical address and report configuration)

The aim of the Change Request is to have additional configuration options for the DCPs:

- DCPs should be enabled to link network services to Party Technical Addresses which are configured under their party.
- DCPs should be enabled to configure report subscriptions so that reports can be sent also to third parties within the same system entity, i.e. with same parent BIC. The current limitation that reports can only be sent to the DCP party itself should be dropped.

The CRG agreed to put the Change Request on hold for Release 2.0 as it was not seen as urgent.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

5. Analysis of the change requests for future releases

The participants went through the different Change Requests (CRs) and made the below recommendations.

Change Request for Release 1.2

Detailed assessment of Change Request T2S-0547-SYS (Enrich a settlement instruction with the default DCA at the acceptance)

The aim of the Change Request is that when the DCA is not included in a SI, T2S should enrich the SI with the default DCA configured in Static Data at the initial Instruction Validation process. This Change Request is related to a ticket with the defect number PBI00000001769 (Settlement Instruction Details screen for T2S Reference 1405270000246384 shows a blank DCA)

The CRG took note that the PMG was discussing following three possible options in the context of CR-547 and it was planned to conclude on the way forward on the CR-547 in the PMG teleconference of 12 February 2016.

- **Option 1:** CR-547 + an operational procedure to change the DCAs in the pending SIs in case of change of default DCA.
- **Option 2:** Use of the cash forecast query instead of the cash forecast report
- **Option 3:** A different version of the CR 547, that keeps the default functionality in place

The 4CB explained that for Option 2 the use of cash forecast query by users should be avoided during the EOD period as the additional workload due to such queries may impact the performance of EOD reporting and therefore the feasibility of the Option 2 depends upon the assumption that the users would make this query around 5-5:30 pm. A CRG member who intended to use cash forecast query confirmed that they will make this query around 5-5:30 pm or before.

Action Points:

- CRG members will check if their approach is substantially deviates from the current assumption of making Cash Forecast query around 5-5:30 pm for the Option 2.
- The 4CB will make editorial update to clearly differentiate between settlement instruction query and cash forecast query in the Change Request.

Change Request T2S-0582-SYS (Enlarging the list of Static Data objects that can be maintained during the night-time settlement)

The aim of the Change Request is to enlarge the set of possible types of static data maintenance instructions that T2S shall process immediately also while a night-time settlement sequence is running, i.e. without the need for queuing them and completing their processing only after then end of the ongoing settlement sequence.

The CRG acknowledged that the Change Request was already recommended for approval. The CRG recommended the addition of the Change Request in Release 1.2

CRG decision: The CRG recommended the addition to Release 1.2.

Change Requests from the CSG Task Force on Insolvency

Change Request T2S-0558-URD (Enhance functionality to prevent acceptance (i.e. reaching SF1) of new settlement instructions based on the DCA holder)

The aim of the Change Request is to trigger the rejection of the settlement instructions submitted by the insolvent party or on its behalf and intended to debit the DCA of that insolvent party. It must be possible to bypass this rejection for transactions mandated by the insolvency liquidator. This is to ensure an acceptable level of operational risk in case of insolvency of a DCA holder or security account owner.

The CRG took note of the additional requirements proposed for the CR-558 by CRG members which included an extension of the functionality to flag for the insolvency at Party level and a possibility to reject instruction crediting the securities account of the insolvent party. The CRG acknowledged that there was no common legal basis to reject instructions triggering credits on the insolvent securities account and that it was not part of the requirement defined by the CSG Task Force on Insolvency. The 4CB clarified that the current solution of applying restriction type on SAC or DCA would require to be revisited if the additional requirement of rejecting SIs crediting SAC is added to the Change Request. For the flagging for insolvency at party level (i.e. party understood as a set of accounts belonging to the party), the technical design could be the same as one used for the proposed flagging at account level.

The CRG also acknowledged that the CR-558 is seen as one of the pre-requisite for the entry into force of the T2S Collective Agreement. The CRG recommended the CR-558 (in its current form) for the detailed assessment. The CRG indicated the agreement to assess CR-558 for Release 1.2.

The CRG agreed that a new Change Request should be raised to enhance the restriction type to flag for insolvency also at Party level, and this new Change Request would be considered as a potential candidate for Release 1.3. The CRG members from Central Banks agreed to check whether flagging for insolvency at Party level also required for the Payment Banks, considering that a Payment Bank in T2S usually does not have a large number of DCAs. The 4CB agreed to check during the detailed assessment of CR-558, whether the current solution could be extended for flagging for insolvency at party level or it needs any other solution.

The CRG also agreed to report the CSG (i) on the possible enhancement of the solution for an automatic flagging of the system parameter related to Insolvency flag (ii) the requirement related to bypassing the rejection for the Insolvency Liquidator's instructions where the CSD may not be the only entity who will send such instruction, at least in one market a CCP may also need to send instructions on behalf of the liquidator (iii) the CRG found that the solution using option 3 could also facilitate CSDs to manage the insolvency of indirect parties

CRG decision: The CRG recommended the Change Request for detailed assessment and CRG agreed to assess CR-558 for Release 1.2.

Action Points:

- A CRG member (Euroclear) will raise a new Change Request to enhance the restriction type to flag for insolvency also at Party level.
- CRG members from Central Banks will check whether the flagging for insolvency at Party level is also required for the Payment Bank Parties.
- The 4CB will check during the detailed assessment of CR-558, (i) if the design of the proposed solution for restriction type at account level (i.e. DCA or SAC) would still be the same, if the flagging for insolvency at party level would be a requirement (i.e. party understood as a set of SACs belonging to the party) and (ii) if they could check whether there is a synergy to implement such solution already with the 558, within the parameter of having it ready for R1.2.

Change Request T2S-0559-SYS (Prevention of matching (moment of irrevocability) SF2 in case of insolvency of a CSD Participant or a DCA holder)

The aim of the Change Request is to prevent matching of unmatched instructions submitted by an insolvent party (or on its behalf) and aiming at debiting one of its accounts (securities account or DCA). This business case is relevant in the scenario where a settlement instruction received after the opening of insolvency proceedings, and is unmatched by the time the CSD/CB system operator is made aware.

The CRG noted that the CSG task force on insolvency procedures has categorized this Change Request as not urgent, and thus the CRG agreed not to include this Change Request in Release 1.3.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0.

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) /SF2 (matched) timestamps in an efficient and standard way. The following means have been identified by the CSG task force on insolvency in order to address this requirement:

- Inclusion of SF1/SF2 exact timestamps in the sese.024 message schema
- Simplification of queries in A2A/U2A mode in order to retrieve the necessary SF1/SF2 information
- Availability of a standardised report

The ECB presented the exhaustive reporting requirement enhanced from the inputs given by CRG members from the institutions that initially provided these requirements in the CSG task force on insolvency. The presentation included following three identified solutions to allow the retrieval of the settlement instructions impacted by insolvency and their related SF1 (accepted) /SF2 (matched) timestamps.

- Inclusion of SF1/SF2 exact timestamps in the sese.024 message schema – either using the supplementary data or by introducing standard message fields
- Inclusion of SF1/SF2 exact timestamps in the settlement instruction query response
- New ad hoc query in A2A/U2A mode in order to retrieve the necessary SF1/SF2 information in case of insolvency

A CRG member expressed that the SF1 and SF2 timestamps should be available in sese.024 for which supplementary data field could be used to allow managing this information on STP basis and the Change Request is rather urgent. The 4CB discouraged the use of the supplementary data as it is not a standard and moreover this change would nevertheless impact core T2S interfaces.

A CRG member was not in favour of amending sese.024 as they does not subscribe to sese.024 messages for the DCPs. Another CRG member expressed that they are not in favour of amending sese.024 messages as it would adversely impact the backend processing. The CRG members also highlighted that information on SF1 and SF2 is available in T2S and there is no need for STP like solution for accessing this information in case of insolvency instead including this information in U2A query should be sufficient.

The 4CB explained that the existing settlement instruction query already includes lot of information and adding SF1 and SF2 timestamp for every query response would adversely impact the performance of the query.

The CRG acknowledged that the proper inclusion of SF1/SF2 timestamps in sese.024 would require ISO change and therefore it could be considered as a long term option. A CRG member agreed to raise a new Change Request to include SF1/SF2 timestamps in sese.024.

The 4CB agreed to investigate the proposed solutions of adding the SF1/SF2 timestamps in the supplementary data of sese.024 without an ISO change and the solution related to an ad hoc U2A query for the next CRG teleconference on 24 February 2016.

The CRG agreed to consider the CR-560 for possible inclusion in Release 1.3 in the next CRG telco on 24 February 2016.

CRG decision: The CRG decided to put the Change Request on hold and agreed to consider the CR-560 for possible inclusion in Release 1.3.

Action Points:

- A CRG member (NBB-SSS) will raise a new Change Request to include SF1/SF2 timestamps in sese.024 as standard message fields, which would require an ISO change.
- The 4CB will conduct a high level assessment of two possible solutions: including the SF1 and SF2 into the sese.024 in a supplementary field and the creation of a simplistic ad hoc U2A query to extract the Settlement Instruction query data, which includes the SF1 and SF2 timestamps

6. Analysis of the change requests

The participants went through the different Change Requests (CRs) and made the below recommendations.

Change Requests from Market

Change Request T2S-0567-SYS (Functional measures to optimise the T2S Graphical User Interface performance)

The aim of the Change Request is to implement proposals identified by the CRG that have a potential performance improvement and do not have a high 4CB implementation effort as well as the proposals which addresses the strong request to avoid that a timeout could cause a non-delivery of query results.

The ECB informed that most of the CRG members of the view that it is not urgent to split the CR-567 and implement a part of it following the CRG written procedure.

The CRG agreed to put the Change Request on hold for Release 2.0

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0

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 acknowledged the SGMS feedback that a new message should be developed for removing the close links. The CRG decided to put the Change Request on hold for Release 2.0

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0

Action Points:

- The CR initiator will update the Change Request to include the option of developing a new message for removing the close links.
- The 4CB will check whether the ISO CR will be documented required

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

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

A CRG member explained that it is the only business case in T2S when T2S does not provide the PRCY on ISD when the counterparty instruction is on hold. The CRG acknowledged that PRCY should be included in sese.032 sent for the reimbursement instruction to maintain consistency; however CRG did not consider the Change Request as urgent and agreed to put on hold for Release 2.0

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0

Change Request T2S-0587-SYS (Alignment of ISO transaction codes across various T2S ISO messages)

The aim of the Change Request to address the gaps on Settlement Instruction-related messages and subsequent impacts has been identified due to the inconsistency related to the ISO transaction codes and need to be corrected. These gaps were related to inclusion of buy-in Securities Transaction type code in sese.023 message, ISO transaction codes of the sese.023 which are not included in the allegement-related messages and other gaps with regards to transaction code reporting in the sese.023 versus other related messages.

The CRG acknowledged that the most of the SGMS members were in favour of aligning ISO transaction codes across various T2S ISO messages as requested in the CR, except the member from SWIFT, who will confirm on this feedback in coming days. The CRG took note that ISO CR would be required to be drafted before 1 June 2016.

The CRG agreed to put the Change Request on hold for Release 2.0 considering that the migration to the latest version of ISO messages was planned after the migration of all waves.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0

Action Points:

- The ECB will inform the CRG about the pending feedback on the CR-587 from the SWIFT member in the SGMS.
- The 4CB will draft an ISO change required to implement the CR-587.

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 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).

A CRG member explained that the required change is necessary due to side effects of CR 429 where it was allowed that the Payment Bank BIC and the CSD Participant BIC can differ on the BIC8 level even when linked via a primary CMB, i.e. allowing the SACs of that CSD Participant to act as collateral providing accounts for T2S auto-collateralisation. The 4CB agreed to check whether an ISO change is required to implement the CR-588.

The CRG decided to put the Change Request on hold for Release 2.0 as it was not seen as urgent.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0

Action Points:

- The 4CB will check whether an ISO change is required to implement the CR-588.

Change Request T2S-0589-SYS (Non-editorial changes to the Flat file solution for reports at end of day (EOD) period)

The aim of the Change Request is to amend the flat file specifications which have been identified during the implementation of CR 494 (Flat file solution for reports at end of day (EOD) period) by the 4CB.

The 4CB explained that the updates are related to correction of typos included in the CR- 494, alignment of the flat file formats described in the CR 494 with the relevant ISO messages and provision of additional information or further clarification for certain attributes of the different flat file types.

The CRG acknowledged that the Change Request aims at aligning the scope defining document as per the flat file reports implemented in Release 1.1 as a part of CR-494.

CRG decision: The CRG recommended the approval of the Change Request and its addition to Release 1.1.

Change Request T2S-0590-SYS (Include ISIN and Message Identification in the T2S ‘Bank to customer statement (camt.053)’ message)

The aim of the Change Request is to include ISIN and Message Identification in the ‘Bank to customer statement (camt.053) message.

A CRG member explained that their client needs to reconcile cash and securities accounts using the Bank to customer statement (camt.053) and therefore there ISIN and Message Identification are required to be included in camt.053 to identify the underlying settlement confirmations for respective entries reported in camt.053.

The CRG acknowledged that the Change Request would be relevant only for those institutions who acts as a CSD participant as well as a payment bank.

The CRG decided to put the Change Request on hold for Release 2.0. The CRG agreed to include this Change Request in the “Workshop on T2S cash forecast and message output optimisation” scheduled on 23 February 2016.

CRG decision: The CRG decided to put the Change Request on hold for Release 2.0

Action Points:

- The CR initiator will clarify on the need of the CR by expanding the business case description in the Change Request.
- The 4CB will check if any of the existing fields in camt.053 message could be used to provide the information required in CR-590.
- The CRG will check with the SGMS for their opinion on usage of message fields as proposed in the CR-590
- The ECB will include the CR-590 in the “Workshop on T2S cash forecast and message output optimisation” scheduled on 23 February 2016

6. Input requested by the User Testing Sub-group

UT-PBR-056 (semt.033 - presence of Securities Account - PBI157160) – Updated with BAH information

The note explains that the T2S implementation considers the reporting of Securities related Report messages based upon the Security Account. This is applicable to semt.033 message (SecuritiesTransactionCancellationRequestReport) where a separate semt.033 will be triggered for the existence of every Securities Account within the Party’s scope – resulting in many messages, one for each securities account. Nevertheless, the message design assumes reporting at a party level and therefore doesn’t identify securities account at highest level of message structure.

Following the CRG teleconference on 13 October 2015, the CRG was in favour of the proposed solution of creating a single semt.033/semt.031 for the configured Party. This single message will contain a separate block for every securities account within the reported scope which has Cancellation

activity to be reported and if a securities account within the reporting scope does not have any Cancellation activity to report, then there will be no block within the message for it.

The 4CB further clarified in the CRG meeting of 08/09 February through the updated clarification note that the proposed solution would produce a single semt.033 for the configured Party. This also covers the case where a CSD configures a report with system entity flag as true where all cancellations for parties within the data scope of CSD is reported in a single semt.033 message. The CRG member of the CSD who had raised the concern on difficulty identifying the party for which the empty message is created informed that the proposed solution seems to solve the issue of identification of the party as there will be only one semt.033 message for the CSD.

Action Points:

- A CRG member (Euroclear) will confirm whether the proposed solution could resolve their concern.
- The ECB will send the updated note on UT-PBR-056 to the User Testing Sub-group immediately

UT-PBR-063 (Data Change in status AWAP older than 3 months - PBI153000)

The Clarification note explains that if the revocation or the confirmation of a static data object update requested in 4-eyes mode is not done for 3 calendar months then the pending request is no longer available for revocation/confirmation, as the list of pending request is purged on the basis of the retention period. At the same time, the underlying static data object remains in an awaiting approval (AWAP) status and therefore it cannot be modified anymore. The note further explains that users expect to be able to revoke/confirm also for data changes in status AWAP also for items older than 3 calendar months, which implies the list of pending changes should not be purged.

In the CRG meeting of 08/09 February 2016, the 4CB provided the outcome of their analysis which indicated that the analysis of the solution for UT-PBR-062 (Retention period for outbound messages especially LCMM Status Notification) cannot be applied to solve the issue described for UT-PBR-063 as it involves major architectural change and an implementation at short/medium term is not possible. The 4CB indicated that the only option that is considered feasible for R 1.2 (pending detailed assessment) is to build screen in the services area – T2S Service Desk only which T2S Operator may check once per month on static data requests which are pending since two months and contact those customers asking them to perform the missing second step (approve /revoke).

The CRG acknowledged the 4CB issue on implementation concern for their proposal of automatic revocation of static data changes awaiting approval after three calendar months. The CRG agreed to go ahead with the 4CB proposal to have a solution on T2S Operator side (i.e. to build screen in the services area – T2S Service Desk) to perform monthly check on the static data changes which are awaiting approval since two months and contact the customers for taking next action (approve /revoke). In case such requests are not approved even after 3 months, then they will be revoked by T2S Operator using last level intervention upon service request of the relevant T2S Actor. The CRG

agreed to inform the OMG to define the operation procedure for revoking static data change requests in AWAP status after three calendar months.

Action Points:

- The CRG will inform the OMG to define the operational procedure for revoking static data change requests in AWAP status after 3 calendar months

UT-PBR-064 (Eligibility check failure)

The Clarification note provides clarification on eligibility checks failure when validating an instruction stating a link with another instruction or included in the same pool of instructions. It describes the situation when T2S reports an “INBC” (IncompleteNumberCount) missing linked instruction status advice notification when validating an instruction stating a link with another instruction although the related instruction is already in T2S but not matched (as reported in the INC-171952) or for an instruction within a pool when all instructions in the pool are already in T2S (as in INC-172975).

In further follow-up discussion on the topic with the focus on the INBC reason code for instructions within the pool, T2S behaviour under following business scenarios were analysed

1. ISD – All Pool instructions received on ISD:
2. ISD – All pool instructions received and matched before ISD

The CRG agreed that the T2S behaviour for scenario 1 (All Pool instructions received on ISD) for reporting INBC should not be changed for the time being, was acceptable as instructions move through the lifecycle without any delay and it would be contrary to T2S design to buffer the instructions/messages.

The scenario 2 (All pool instructions received and matched before ISD) was initially a concern for CRG considering that corporate actions instructions with pool would be sent before ISD but it was clarified that the custody related corporate actions representing a large portion of pool instructions fall in the business scenario 1 where pool instructions are received on Intended settlement date (post Start of day) and T2S would report INBC immediately for as each instruction moves through the lifecycle. The CRG understood that resolving the issue with scenario 2 through would not solve the problem as major business of pool instructions lies in scenario 1.

The CRG also discussed option proposed by a CRG member to have a pool completeness period (for instance of 15 minutes standard delay). A check for pool completeness could occur at the end of this period at which point a status INBC is sent or not. The 4CB clarified that the proposed solution of implementing a standard delay before sending out the INBC messages for pool instructions cannot be implemented within the current design. The 4CB pointed out possible drawbacks on status management for all T2S messages and indicated that similar process of allegation involving delayed reporting of status follow different sequencing and therefore doesn't have issue with delayed

reporting of status. Moreover, there is impact on performance in order to keep checking INBC status code in each status notification and keep messages pending.

The CRG acknowledged that the current T2S behaviour of informing INBC pending reason code is a consequence of the applied system design. The CRG shared the understanding that there is no solution at the current juncture to resolve the issue without significant impact to the core design of T2S. The CRG also acknowledged that the CR could be raised in future if the concerned T2S actors could not find any other solution to deal with the current T2S behaviour. A CRG member also informed that they are checking with the SMPG about a related issue in which T2S does not provide the information that the pool became complete, to those T2S actor who had earlier received INBC and yet transaction cannot settle for other reasons (e.g. Instruction on Hold).

Action points:

- A CRG (NBB-SSS) will inform the CRG about the SMPG feedback related to an issue in which T2S does not provide the information when pool became complete to those T2S actor who had earlier received INBC.

UT-PBR-068 (Processing order of settlement instructions vs their priority - INC174375 and INC174412)

The clarification note explains the order in which settlement is performed on i) transactions with differing priority or ii) transactions with same priority but different seniority. It highlights that the settlement order is taken into account when T2S selects the pending transactions to be recycled and sends them for a settlement attempt. The selected transactions are then submitted to the booking process to multiple settlement engines, designed with parallel processing for performance purpose. This parallel processing during settlement process carries no specific intelligence to route the settlement transactions to specific settlement engine (e.g. ISIN, account or party), and consequently the transactions may be booked in a different order than the order applied by the recycling process.

The 4CB highlighted that the design ensures that the priority applies as a criteria to propose transactions to settlement and not as a criteria to force settlement in a guaranteed order during the RTS process. Owing to the parallel processing applied in T2S (booking, message issuing etc...) the order of processing of the settlement instructions cannot be 100% guaranteed during RTS.

One CRG member indicated that the UDFS does not provide this information upon which the 4CB informed that the global picture has to be understood from the design choice presented in the GTD related to parallel processing. Another CRG member highlighted that article 25 of CSDR obliges CSDs to inform their CSD participants about the optimisation mechanism employed during settlement. The 4CB agreed to clarify in the scope defining documents (UDFS and/or GFS) about the impact of parallelisation employed in T2S on the priority in the settlement engine. The CRG member insisted that the priority and seniority should be respected in T2S otherwise they may face penalties to clients. Another CRG member indicated that a pre-analysis should be considered to understand the business cases in which it is necessary to guarantee a sequence and define criteria which will ensure that the orders of processing of settlement instructions are respected during parallel processing.

The CRG acknowledged that due to the way how parallelisation is employed in the T2S settlement engines and no specific intelligence to put settlement instructions in specific settlement engine queues, it is possible that the instruction with lower seniority could settle before an instruction with higher seniority in terms priority. The CRG agreed that any change to the current design of T2S settlement engine could not be possible in the short term, considering very complex change as well very high impact. The 4CB agreed to clarify in the scope defining documents (GFS, UDFS) about the impact of the parallelisation employed in T2S on the priority in the settlement engine. The CRG agreed on the proposal of a member to start collecting the concrete cases already identified in production in which the current behaviour of the T2S Optimization and settlement process does not guarantee a given sequence of the settlement instructions which is deemed necessary by the T2S users for legal and business reasons.

Action Points:

- A CRG member (Monte Titoli), with the support of Banca d'Italia and the participants in the Italian market will prepare a draft list of business cases in which it is necessary to respect a guarantees sequence to be shared with and complemented by other CRG members. 4CB will clarify in the scope defining documents (GFS, UDFS) about the impact of the parallelisation employed in T2S on the priority in the settlement engine.

7. Approval of an up-to-date version of the DMT File format specifications

The CRG took note that the DMT file format specifications were updated following the approval of Change Requests CR-575, CR-495 and CR-513. The CRG members agreed to provide their feedback on recommending the approval of the updated DMT file format specifications in a written procedure in one week.

Action Points:

- The CRG members will provide their feedback on recommending the approval of the updated DMT file format specifications in a written procedure in one week.

8. Status update on Release 1.1.5

The ECB explained that the Release 1.1.5 was originally foreseen for deploying only problem fixes before new wave 3. As some of the Change Requests included in release 1.2 could already available in May 2016, it was proposed in the PMG to include such Change Requests in Release 1.1.5 in addition to the problem fixes.

The CRG agreed to the PMG proposal of including following Change Requests into the baseline scope of Release 1.1.5 by removing these Change Requests from the baseline scope of Release 1.2.

- T2S-0539-SYS (Security report (reda.012) should have additional pagination logic to include all the market-specific attributes)
- T2S-0545-SYS (Separate release privilege for T2S auto-collateralisation reimbursement instructions)

- T2S-0536-URD (De-scoping of ISIN change functionality) → *only A2A part*
- T2S-0585-SYS (Apply pagination at <Ntry>-level instead of at <Stmt>-level in camt.053 (Statement of Accounts))
- T2S-0527-SYS (Non-editorial Change Request on the UHB)
- T2S-0553-SYS (Reuse of historical BICs as party codes)
- T2S-0554-SYS (Data scope reduction on party level should also reduce data scope on user level) → *pending the specific testing effort*

A CRG member expresses a need to also include T2S-0526-URD (Currency, Settlement amount and debit/credit indicator should be additional matching fields for FOP instructions) in the Release 1.1.5. The 4CB clarified that CR-526 could not be anticipated in the Release 1.1.5 in addition to the above proposal, as it was planned for later EAC delivery.

The 4CB informed that the 26 problem fixes would be feasible to be included due to implementation of CRs in Release 1.1.5 in addition to the initial baseline scope of 18 problem fixes.

The CRG took note that the revised baseline scope proposals for Release 1.1.5 and Release 1.2 would be finalised in the PMG teleconference of 12 February 2016.

Action Points:

- The 4CB will inform the PMG that a request to include CR-526 in Release 1.1.5 would not be possible.

9. Any other business

Transaction activity reported in Statement of Transactions (semt.017)

The CRG acknowledged that the SMPG is currently discussing on the mapping table between transaction activity indicator and transaction type proposed by a CRG member. The CRG acknowledged that the relevant changes in T2S could be considered for Release 2.0

Examples for flat file reports

The CRG took note that the examples of the flat file reports were available.

Improvement to T2S billing process

The representative from the ECB financial team explained that there is need for improving T2S billing process and presented following proposals for Release 1.3 which aims to reduce manual intervention and to improve working conditions for users.

- Adapt format of PDF invoice – proposed for Release 1.3
- Identify operations for maintaining auto-collateralisation – proposed for Release 1.3
- Reclassify transmissions and messages– proposed for Release 1.3

A CRG member expressed that the current PDF invoices are sufficient for processing. The ECB representative suggested users to check with their respective accounting teams for need of the proposals.

A CRG member expressed that the proposal to reclassify transmissions and messages should be discussed first at Steering Level as it may impact the pricing policy.

The CRG took note of the proposals for the enhancement of existing T2S billing functionality and that some of the proposals are urgent which may require to be considered for T2S Release 1.3. The ECB financial team agreed to raise the related Change Request(s) after sharing these proposals with the Steering Level and then the CRG would consider these CRs in the prioritisation for Release 1.3.

Action points:

- The ECB financial team will raise the Change Request(s) for improvement to T2S billing process after sharing the proposals with the Steering Level.

<u>Participant's organisation</u>	<u>Name of participant</u>	
European Central Bank	Ms Karen Birkel	Chairperson
European Central Bank	Mr Alejandro Del Campo	Rapporteur
European Central Bank	Mr Hemant Patil	
European Central Bank	Mr Chandrajeet Dhami	
European Central Bank	Ms Elba García Fernández	
European Central Bank	Mr Lorenzo Dal Bianco	
4CB	Mr Arno Friederich	
4CB	Mr Andrea Dimartina	
4CB	Ms Natalia Canalejo	
4CB	Mr Dirk Beiermann	
4CB	Ms Mariana Shkurtova	
4CB	Ms Kristin König	
4CB	Ms Wilma Jagomast	
4CB	Ms Marian Abendibar	
4CB	Mr Massimiliano Renzetti	
4CB	Mr Victorien Goldscheider	
Banque Nationale de Belgique	Mr Marc Lejoly	
Deutsche Bundesbank	Ms Melanie Gulden	
Bank of Greece	Mr Yorgos Korfiatis	
Banco de España	Ms Anca Parau	
Banque de France	Mr Hervé Angebaud	
Banca d'Italia	Mr Luca Rissolo	
Banque centrale du Luxembourg	Mr Alexandre Briand	
De Nederlandsche Bank	Mr Erik Beunen	
BOGS	Mr Panagiotis Petropoulos	
Clearstream Banking	Mr Friedrich Franke	
Clearstream Banking	Mr Markus Glück	
Euroclear	Mr Dan Toledano	
Iberclear	Ms Pilar Sanchez	
Monte titoli	Mr Umberto Granata	
SIX SIS	Mr Vijay Joshi	
VP Securities	Ms Susanne Hass	

<u>Participant's organisation</u>	<u>Name of participant</u>
Deutsche Bank	Ms Britta Woernle
Société Générale	Ms Corinne Audrain
ABN AMRO Bank	Mr Ton van Andel
BBVA	Mr Daniel Saeta
BNP Paribas Securities Serv.	Mr Giorgio Ferraro
LCH Clearnet	Mr Pierre Peczi
Nordea	Mr Janne Palvalin