

T2S Change Review Group

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FINAL

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Outcome of the Change Review Group (CRG) meeting

23 October 2017, from 10:00 to 17:30

held at the European Central Bank, Frankfurt

1. Introductory session

Outcome

The chairperson welcomed the new CRG member Mindaugas Juzenas from Nasdaq CSD SE.

The chairperson informed the CRG members about the discussions and the tentative outcome of the CSD Steering Group (CSG) meeting which took place on 10 October 2017:

- the new Operational Governance Process Framework (OGPF), version 2.4 was discussed. The target date of implementation of the new Framework shall be early 2018, after the necessary approvals of the T2S Framework Agreement have been obtained in the T2S governance.
- In the future, the CRG chair will always inform the relevant governance forums whenever the cost aspect of a Change Request (CR), which has been initiated by that same forum, is available. In this regard, the detailed assessment results of the CSD Regulation-related CRs for R3.0 (i.e. CR600, 606, 607 and 609) and the CR for R2.0 (CR646) have been shared for information to the relevant groups, i.e. the CSDR Task Force and the Data Access Task Force (DATF).
- The CSG decided to follow the CRG recommendation to launch the detailed assessment on the CR T2S-0614-SYS (Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported).
- The CSG did not agree to withdraw the CR559 (Prevention of matching in case of insolvency of a CSD Participant or a dedicated cash account holder) for the time being and requested that a detailed risk assessment on the insolvency operational procedures shall be conducted by the Operational Managers Group (OMG).

The CRG members approved the outcome of the CRG meeting of 28 August 2017 as well as the outcome of CRG teleconference of 27 September 2017 with a minor editing update.

Follow-up action:

- None.

2. CRG action points list

Outcome

The ECB team updated the CRG members on the status of the [open action points](#).

Follow-up action:

- In the context of the action point T2SACTION-3032, Clearstream and Euroclear will provide to the ECB team the recently-raised tickets connected to the production incident INC204308 (Back-to-back transactions in partial settlement) so the 4CB can analyse them.

3. Analysis of the Change Requests

3.1 Change Requests relevant for the T2S Release 2.0

Change Request T2S-0646-SYS (Pre-formatted operational reports at specific times)

Outcome

The CRG agreed with the functional description included in the 4CB detailed assessment and agreed to put the CR on hold until the DATF feedback on the CR detailed assessment is available to the CRG.

The CRG will invite the DATF to consider, in its discussion of the detailed assessment, a comparison of the implementation costs vs potential savings on future running costs. The CRG agreed to have a short written procedure regarding the recommendation for approval of the CR once the DATF feedback is available.

The 4CB informed the CRG members that the suggested delivery dates are based on the assumption that the green light for start of implementation work by the Steering level is received by 25/10/2017 cob. Any delay requires an update of the proposed delivery planning of the CR and will likely result in later deployment dates.

Follow-up action:

- To facilitate a comparison of the implementation costs *versus* potential savings on future running costs, the CRG invited the 4CB to consider collecting and disclosing data on the manual effort currently incurred to produce operational reports¹
- The ECB team will inform the DATF secretariat about the CRG discussion on the CR.
- The CRG recommendation on the CR will be sought via written procedure with the CRG members after the DATF feedback is made available to the CRG secretariat.

¹This additional information will be made available for the DATF meeting on 21 November 2017.

Change Request T2S-0649-SYS (Handling of leading and trailing "blanks" and "/" in A2A and U2A names and Identification attributes)

Outcome

The CRG agreed with the updates proposed by the 4CB in order to remove the Securities Settlement Condition Modification Request (sese.030) from the attachment of the already-approved CR649, as the initial element of the sese.030 was pruned in the T2S customised message.

The CRG also agreed to the removal of other references to the sese.030 that were overlooked in the CR version shared with the CRG. This agreement was in principle subject to the final version of the updated CR to be made available to the CRG members.

Follow-up action:

- The 4CB will provide an updated CR649 removing all references to the sese.030 from the CR.
- The ECB team will report to the T2S Steering Level following the CRG recommendation.

Change Request T2S-0667-SYS (The Camt.019 final message after the night-time settlement file bundling shall report zero files)

Outcome

The CRG agreed to recommend to the T2S Steering Level the approval of the CR and its inclusion in the T2S Release 2.0 (i.e. June 2018).

Follow-up action:

- The ECB team will report to the T2S Steering Level on the CRG recommendation.

3.2 Change Requests relevant for the T2S Release 3.0 and future releases

3.2.1 Detailed assessments on Change Requests relevant for R3.0

Delay in the 4CB delivery of the detailed assessment on CRs 612/654

Outcome

The 4CB informed that they will provide to the CRG the detailed assessment on the CR T2S-0612-SYS (Alignment of T2S Messages with ISO Maintenance Releases 2013 – 2017) and the CR T2S-0654-URD (T2S Penalty Mechanism) on 2 November 2017 instead of the initial planned date, which was on 23 October 2017.

The delivery date had to be revised, as the 4CB informed in the CSG meeting on 10 October 2017, because the operational day schedule compliance raised at the CSDR TF meeting on 20 September 2017 requires further analysis

Follow-up action:

- None

Change Request T2S-0600-SYS (T2S reporting functionality must be enhanced to allow the retrieval of the settlement instructions and their related SF1 (accepted) /SF2 (matched) timestamps via A2A/U2A in an efficient and standard way)

Change Request T2S-0606-SYS (T2S should maintain and report information related to 'Place of Trade' and 'Place of Clearing' of a settlement instruction consistently across T2S messages)

Change Request T2S-0607-SYS (T2S must be able to identify, store, and report settlement information related to buy-in transactions consistently across T2S messages)

Change Request T2S-0609-SYS (T2S must be able to report settlement status 'Failing' for settlement instructions for which settlement at the Intended Settlement Date (ISD) is no longer possible)

Outcome

One CRG member indicated that the effort to operate CR600 and CR606 appears to be lower than the effort to operate CR609, therefore it needs to be explained in more detail why the operational costs are identical.

The CRG members agreed to put the CRs 600, 606, 607 and 609 on hold and discuss them again in the CRG teleconference on 14 November 2017 after the CSDR TF discussions (8 November 2017) on the CR detailed assessment and the additional 4CB information on the cost drivers of the CR running costs for the CRs 600 and 606 are made available to them.

Follow-up action:

- The 4CB will provide additional information on the cost drivers of the running costs of the CRs 600 and 606 prior to the CRG teleconference on 14 November.
- The CRG will discuss the CR in the CRG teleconference on 14 November 2017.

3.2.2 Other Change Requests

Change Request T2S-0613-SYS (T2S should give the possibility to receive outbound T2S messages bundled in files)

Outcome

The CRG agreed to put the CR on hold and discuss it again in the CRG meeting on 15 December 2017, in particular, regarding (i) the messages to be bundled in files; (ii) the implementation approach to bundle at party technical address level; and (iii) the necessity or not of having a bundling deactivation/activation window during the T2S business day.

One CRG member mentioned that deactivation all along the real time settlement closure period would remove most of the CR benefits, as it represents a peak period where most of the new incoming instructions are sent to T2S and therefore most outbound messages are sent from T2S in response. In this regard, some CRG members mentioned that in order not to remove the CR benefits, a short deactivation period could be setup around the DVP cut-off only.

Some CRG members noted that this CR involves big functional or design changes in T2S (e.g. making real-time T2S messages non-real-time) in order to reduce the T2S outbound communication bills they are

encountered with. An alternative to the CR could be to either get further granularity in the message subscription or alter/redesign the T2S billing of outbound communication. In any case, this alternative option should be driven by the T2S Steering Level.

The CRG invited the 4CB to check:

- The possibility of also bundling rejections of inbound Settlement Instructions (sese.024)
- The possibility to have a short deactivation period (e.g. from 15:30 to 16:30)

The 4CB informed the CRG that until clarity is given on the open points mentioned above no further analysis will be conducted.

Follow-up action:

- The CRG will discuss the CR during its meeting on 15 December 2017

Change Request T2S-0668-SYS (Provide T2S reference of the linked instructions preventing settlement)

Outcome

The CRG agreed to put the CR on hold and discuss it again during its meeting on 15 December 2017 when further information on the relevant scenarios will be made available by the 4CB.

Follow-up action:

- The 4CB will provide further information regarding the different scenarios of linked instructions where the T2S reference could be added.
- The CRG will discuss the CR during its meeting on 15 December 2017.

Change Request T2S-0669-SYS (Alignment of Flat files, DMT files and Securities Valuation flat files with ISO Maintenance Releases 2013 - 2017)

Outcome

The CRG agreed to put the CR on hold and discuss it again in the CRG meeting on 15 December 2017 once the detailed assessment of the CR612² is available. Thus, the CRG will be able to assess potential changes in addition to the already-identified update (i.e. new code NACT³).

The 4CB indicated that an option could be to include these alignments to the ISO Maintenance Releases 2013-2017 at a later stage and in the context of the CR which could be raised in order to align the T2S Messages with the ISO Release 2018.

Follow-up action:

- The CRG will discuss the CR during its meeting on 15 December 2017.

² T2S-0612-SYS (Alignment of T2S Messages with ISO Releases 2013-2017):
http://www.ecb.europa.eu/paym/t2s/progress/pdf/crg/t2s_0612_sys.pdf

³ New code NACT (Not accounting related) for the Settlement Transaction Condition field in the Data Migration Tool files for FOP and pending instructions.

Change Request T2S-0670-SYS (Logical deletion and purge of matured ISINs together with their related links)

Outcome

The CRG members were of the view that the CR makes sense as currently the deletion of a security by its Security Maintaining Entity (SME) is a cumbersome process (i.e. it requires some U2A actions and the deletion of linked minor static data entities belonging to other CSDs).

The CRG agreed to recommend the launch of the detailed assessment to the T2S Steering Level in principle and subject to the positive OMG feedback. As part of the detailed assessment, the 4CB will analyse whether a simple monthly report with the logically deleted ISINs could also be provided by T2S in order to avoid the development of a specific ISO report message or T2S GUI screen. This report would identify static data which will be purged on T2S as result of the ISIN deletion performed by the Securities Maintaining Entity (SME), and will thus allow the CSDs/NCBs to apply the same purge on their systems and keep their internal referential data systems in sync with T2S.

The 4CB informed the CRG that they are analysing (i) whether and as of when a T2S performance deterioration could occur due to a huge number of matured securities and related reference data in the online database; and (ii) how, in case of need, an interim solution could potentially be established until the CR is implemented. This would give an indication of the urgency of the CR. The CRG members will discuss the target release for such CR when this 4CB analysis is made available to them.

Follow-up action:

- The ECB Team will report to the T2S Steering Level on the CRG recommendation (subject to the OMG feedback)
- The 4CB will check whether the deletion of a security reference data is linked to the CMB Securities Account link.

New Multiplex Editorial Change Request

Outcome

The 4CB informed the CRG that they will submit a new editorial CR to the CRG on 8 November 2017. It includes editorial updates identified by the 4CB and any update stemming from SDD⁴ clarification notes on tickets from 28 June 2017.

Follow-up action:

- None

⁴ Scope Defining Document (SDD)

4. Analysis of SDD clarification notes related to fixes planned for future T2S releases

SDD-PBR-0027 (Partial loading of contents for Statement of Transactions to prevent timeout in GUI - PBI-200360)

Outcome

The CRG agreed to the implementation proposed in the [SDD clarification note](#) and related updates to the User Handbook⁵.

Follow-up action:

- The 4CB will check whether a timeout could also occur when there is a large number of records in the statement of accounts (camt.053) and statement of pending instructions (semt.018).
- The ECB team will provide the CRG recommendation on the SDD-PBR-0027 to the OMG.

SDD-PBR-0028 (Massive Queries - Limitations of the T2S GUI - PBI-154066/ PBI-154897)

Outcome

The CRG members agreed in principle that the system limitations when querying/downloading A2A-like data volumes are documented in the UHB. Nevertheless, some CRG members invited the 4CB to provide a more explicit, even if indicative, description of these T2S volume limitations for Settlement Instruction Query and Securities Query before concluding.

Follow-up action:

- The 4CB will update the SDD note to provide further details of the T2S volume limitations in view of the CRG meeting of 15 December 2017.
- The CRG will discuss the SDD clarification note in the CRG meeting on 15 December 2017 at the latest.
- The ECB will invite the OMG to consider whether some operational processes may need to be reviewed to take into account the limitations of the T2S GUI.

SDD-PBR-0029 (Exclude status history from the data used for digital signature to avoid GUI frozen screen when cancelling/amending/hold/release a Securities Instruction - PBI-201199)

Outcome

The CRG agreed to the implementation proposed in the [SDD clarification note](#) and related UHB updates⁶.

Follow-up action:

- The ECB team will provide the CRG recommendation on the SDD-PBR-0029 to the OMG.

⁵ CRG recommendation on SDD-PBR-0027
http://www.ecb.europa.eu/paym/t2s/progress/pdf/suburd/fa_sdd/sdd_pbr_0027.pdf

⁶ CRG recommendation on SDD-PBR-0029
http://www.ecb.europa.eu/paym/t2s/progress/pdf/suburd/fa_sdd/sdd_pbr_0029.pdf

OMG issue of case 2 restrictions affecting auto-collateralisation reimbursements that block the T2S Operational Day

Outcome

The OMG invited the CRG to provide its feedback regarding the case when certain intra-day restrictions affect the auto-collateralisation reimbursement process and how these restrictions could block the T2S Operational Day.

The CRG members acknowledged that on the one hand, CSDs may need to have the tools to block securities from settlement for different reasons such as insolvency and corporate actions while on the other hand, Central Banks want to be alerted if an auto-collateralisation reimbursement cannot take place due a blocked security.

The 4CB explained that the CSDs could create securities restrictions in a way that only settlement instructions other than auto-collateralisation reimbursements are blocked (i.e. by using code 'AUTO'⁷). The CRG noted that this has to be analysed vis-à-vis the concrete relevant scenarios.

The CRG agreed to re-discuss the topic further during its December meeting and on the base of an issue note to be prepared by the ECB team.

Follow-up action:

- The ECB team will prepare an issue note on the topic, including potential options for providing a CRG feedback to the OMG.
- The CRG will discuss the topic in the CRG meeting on 15 December 2017.

OMG issue of the maximum number of auto-collateralisation reimbursement instructions that can be processed by T2S

Outcome

The CRG agreed to discuss the topic again in the CRG meeting on 15 December 2017 once further information is provided by the 4CB on the following aspects:

- In which scenarios the technical limitation of a single collection could exceed 2.500 settlement transactions.
- Frequency of this incident.
- Details of the defragmentation process in the envisaged operational procedure, in particular how the NCBs and their auto-collateralisation related instructions are affected.
- Whether the implementation of the CR543⁸ would minimise the situations where the technical limitation could be reached.

⁷ See UDFS v2.3 section entitled 'Validity of T2S generated collateral Settlement Instructions' (Intraday restriction part in pages 400-401)

⁸ T2S-0543-URD (Minimum amount for auto-collateralisation transactions)
http://www.ecb.europa.eu/paym/t2s/progress/pdf/crg/t2s_0543_urd.pdf

- 4CB preliminary analysis of the potential feasibility of the CR543 implementation as part of the T2S Release 3.0.

Follow-up action:

- The CRG will discuss both the short term solution, based on the functional solution defined as part of the operational procedures, and the long-term solution (CR543) during its meeting on 15 December 2017.
- At least 5 days before the CRG meeting on 15 December 2017, the 4CB will provide (i) further information on the defragmentation process; and (ii) an update on the CR543 proposals and whether it would be feasible to carry out a detailed assessment of CR543 with a view to its inclusion in T2S Release 3.0 ,

5. CRG work in the new Operational Governance Process Framework

Outcome

The ECB team presented a draft outline regarding the potential impact that the new T2S Operational Governance Process Framework may have on the current CRG role and tasks as well as, potentially, on the CRG mandate. The outline was based on the wording already included in T2S Operational Governance Process Framework v2.4. However, the CRG members agreed that further granularity and explanations may be required in the context of this note in order to ensure a common understanding on the CRG roles and tasks.

Follow-up action:

- The CRG members will provide their comments on the draft outline to the ECB team by 3 November 2017 cob.
- The CRG will discuss the topic during its meeting on 15 December 2017 on the base of a more mature documentation to be provided by the ECB team.

6. Any other business

6.1 T2S Pillar III messages

Outcome

The 4CB recalled that the registration of T2S Pillar III messages at ISO level may cause changes on the T2S message schema and that these changes need to be taken into account in T2S when migrating to the ISO registered message. The 4CB will document any change in a T2S CR.

Follow-up action:

- The 4CB will provide a new status update in the first quarter of 2018.

6.2 CRG meeting calendar

Outcome

The ECB team informed about the scheduled CRG meeting/teleconferences for 2017 and 2018⁹:

- CRG teleconference on 14 November 2017, from 14:30 to 16:30 - confirmed
- CRG meeting on 15 December 2017 (Christmas dinner on 14 December 2017) - confirmed
- CRG meeting on 25 January 2018
- CRG meeting on 13 March 2018
- CRG meeting on 16 May 2018
- CRG meeting on 4 July 2018
- CRG meeting on 4 September 2018
- CRG meeting on 15 November 2018

Follow-up action:

- None

⁹ The meeting dates are tentative. The ECB team will confirm a meeting between 4 and 6 weeks before the meeting takes place.

| <u>Participant's organisation</u> | <u>Name of participant</u> | |
|--|-----------------------------------|-------------|
| European Central Bank | Mr George Kalogeropoulos | Chairperson |
| European Central Bank | Mr Alejandro del Campo | Secretary |
| 4CB | Ms Christina Frenzel | |
| 4CB | Mr Arno Friederich | |
| 4CB | Mr Victorien Goldscheider | |
| 4CB | Ms Wilma Jagomast | |
| 4CB | Mr Massimiliano Renzetti | |
| 4CB | Mr Ruben Rubio | |
| 4CB | Ms Mariana Shkurtova | |
| 4CB | Ms María Vila | |
| 4CB | Ms Anke Wagner-Gluth | |
| Banca d'Italia | Mr Luca Rissolo | |
| Banco de España | Ms Anca Parau | |
| Bank of Greece | Mr Yorgos Korfiatis | |
| Banque de France | Mr Christian Leboutet | |
| Banque centrale du Luxembourg | Mr Alexandre Briand | |
| Danmarks Nationalbank | Mr Frederik Jorst | |
| De Nederlandsche Bank | Mr Erik Beunen | |
| Clearstream | Mr Markus Glück | |
| Euroclear | Mr Dan Toledano | |
| Iberclear | Ms Pilar Sanchez | |
| Interbolsa S A | Mr Ruben Azevedo | |
| Monte Titoli | Mr Paolo Pacei | |
| Nasdaq CSD SE | Mr Mindaugas Juzenas | |
| OeKB CSD GmbH | Mr Gilbert Dornhofer | |
| SIX SIS | Mr Manuel De Arriba | |
| VP SECURITIES | Ms Susanne Hass | |
| ABN AMRO Clearing | Mr Ton van Andel | |
| BBVA | Mr Daniel Saeta | |
| BNP Paribas Securities Services | Mr Giorgio Ferraro | |
| Deutsche Bank AG | Ms Britta Woernle | |
| LCH SA | Mr Pierre Peczi | |
| Société Générale | Mr Peer Stegerwald | |