



SETTLING  
WITHOUT  
BORDERS

## CSD DCP Workshops

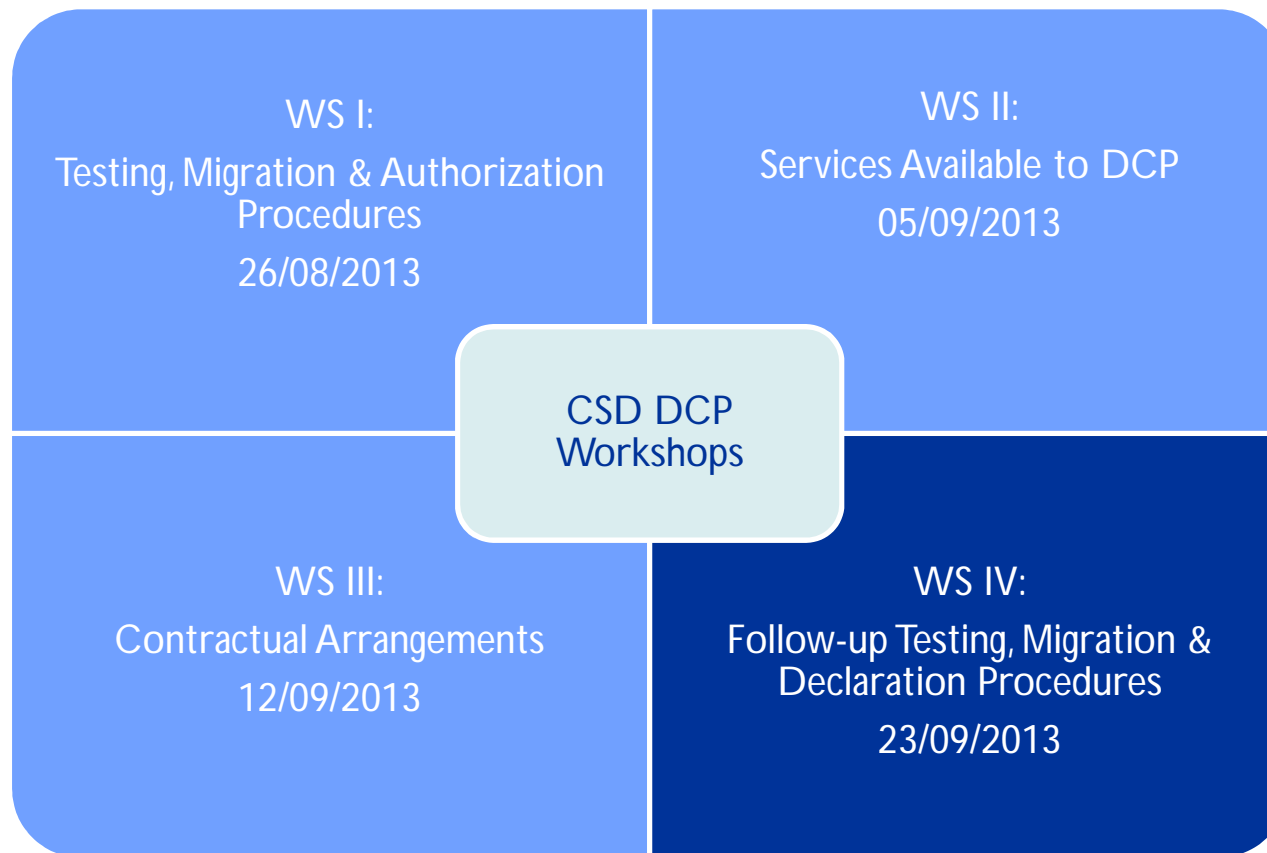
*Session IV*

*Testing, Migration and Declaration Procedures*

*23<sup>rd</sup> September 2013*

## Workshop Overview & Timeline

Four workshops on DCP related topics are planned:



## Objectives of today's Workshop



### Situation

- § In connection with the informal DCP forum participating potential DCPs asked for workshops on DCP-related topics to increase transparency in areas of User Testing & Migration, offered DCP services and contractual arrangements
- § Four workshops have been set-up
- § End of May CSDs provided answers to a questionnaire sent by the DCP forum which already addressed several questions related contractual arrangements and declaration procedures
- § Three out of four workshops have been conducted – Follow-up and clarification of open topics will be done in the 4<sup>th</sup> workshop



### Objective

- § Overview of conducted workshops
- § Clarification of open topics coming from the conducted workshops
  - § Follow up on proposed non-binding declaration process
  - § Open topics on test organization and migration (special focus on wave 1 community testing)
  - § Discuss necessity of a common declaration form
- § Provide answers on open questions provided by the DCP Forum
- § Provide an outlook on future workshops

## Overview of DCPs interests

DCPs are very interested in receiving further information on specific topics regarding the migration on T2S

The table below provides the number of interested DCP Forum members for each of the CSDs currently signed up for T2S. The level of interest is indicated by High/Medium/Low by each potential DCP.

DCP Interest List				As of: 20/08/2013			
ID#	Wave	CSD Name	total	H	M	L	
1	1	CSD: Bank of Greece Securities Settlement System (BOGS)	5	0	3	2	
2	1	CSD: Depozitarul Central S.A. (Romania)	5	0	2	3	
3	1	CSD: Malta Stock Exchange	5	0	1	4	
4	1	CSD: Monte Titoli S.p.A. (Italy)	10	9	1	0	
5	1	CSD: SIX SIS (Ltd.) (Switzerland)	9	5	1	3	
6	2	CSD: Euroclear ESES (BE)	10	9	1	0	
7	2	CSD: Euroclear ESES (FR)	12	10	2	0	
8	2	CSD: Euroclear ESES (NL)	10	9	1	0	
9	2	CSD: Interbolsa (Portugal)	8	5	3	0	
10	2	CSD: National Bank of Belgium Securities Settlement System (NBB-SSS)	7	5	1	1	
11	3	CSD: Clearstream Banking AG (Germany)	11	9	2	0	
12	3	CSD: Központi Elszámolóház és Értéktár Zrt. . KELER (Hungary)	5	0	3	2	
13	3	CSD: LuxCSD S. A. (Luxembourg)	7	1	3	3	
14	3	CSD: Oesterreichische Kontrollbank Aktiengesellschaft (Austria)	9	3	5	1	
15	3	CSD: VP LUX S.á.r.l. (Luxembourg)	5	0	1	4	
16	3	CSD: VP Securities A/S (Denmark)	7	0	4	3	
17	4	CSD: AS Eesti Väärtpaberikeskus (Estonia)	5	1	0	4	
18	4	CSD: Centrálny depozitár cenných papierov SR, a. s. (Slovakia)	5	0	2	3	
19	4	CSD: Euroclear Finland Oy	8	2	5	1	
20	4	CSD: Iberclear . BME Group (Spain)	9	8	1	0	
21	4	CSD: KDD - Centralna klirinško depotna družba, d.d. (Slovenia)	5	0	1	4	
22	4	CSD: Lietuvos centrinis vertybinių popierių depozitoriumas (Lithuania)	5	1	0	4	
23	TBC	CSD: BNY Mellon CSD (Belgium)	5	0	1	4	
			167	77	44	46	

[Source: DCP Forum as of 20 Aug 2013 ]

The majority of members are interested in the following topics:

DCP-CSD Workshops			As of: 20/08/2013	
	Workshop Title		total	
a.	Services available and service levels		13	
b.	Authorization procedures		13	
c.	Testing & Migration procedures		12	
d.	Contractual arrangements		12	

# Agenda

1. Proposal of DCP declaration procedure and common form
2. Aspects of Testing and Migration Planning/ Organisation
3. Proposal DCP Readiness Status Reporting
4. Recap & Follow-up Questions by DCP Forum
5. Appendix



## For discussion: Definition of a DCP

*In February 2013 the T2S Programme Office provided a background note on the classification of DCPs*

DCP Definition based on  
clarification paper

*The Framework Agreement establishes that 'Directly Connected Party (DCP)' means a T2S User, which has been authorised by its Contracting CSD or Central Bank to access T2S directly to use T2S Services, i.e. without the need for the Contracting CSD or Central Bank to act as a technical interface (which would in this case be termed an "indirectly connected party") ...*

*The term "directly connected party" refers to the technical connection to the T2S platform:*

- *Direct Connectivity refers to the existence of a (direct) network connection between a T2S Actor and the T2S platform using a VAN Provider or Internet*

...

*From a T2S perspective, in order to become a DCP, a participant of a CSD or Central Bank needs to meet the following conditions:*

- *The DCP will have to adapt its technical communication interface to the T2S platform. For A2A access, it will have to comply with the T2S message format and use one of the T2S authorised communication channels (VAN-NSP providers SWIFT or SIA/Colt)*

...

*T2S Parties have the possibility to directly communicate with T2S in two ways:*

- *Application-to-Application (A2A) interaction i.e. using ISO20022 messaging via VA-NSP connections only (with SLAs) and/or User-to-Application (U2A) interaction*

...

§ It may be useful to differentiate between 'normal' DCPs and 'full' DCPs, with a 'full' DCP being defined as a T2S User that, on top of being a DCP also sets a "Direct Connectivity"

§ Non-binding DCP-Declaration shall focus on the 'full' DCP as the 'full' DCP has the direct technical connectivity to T2S

Based on presentation during  
3<sup>rd</sup> DCP Workshop

# DCP Declaration Procedure – For discussion

## (1) Non-binding declaration to become a DCP by 15 October 2013<sup>1)</sup>

- § According to the T2S Programme Plan, it is expected that the DCPs on the securities side, would declare their interest to the T2S Programme Office by 15 October 2013 no matter which migration wave they intend to join
- § Customers who miss this deadline can only become a DCP after the end of the first T2S migration phase (i.e. in 2017)
- § DCP interested customers to provide a non-binding declaration by 15 October 2013



Workshop participants to discuss the necessity of a common generic template for the non-binding declaration to become a DCP coming along with an agreement on the procedure of the non-binding declaration

Proposal see slide #8

## (2) Confirmation DCP connectivity mode

- § An additional deadline ("DCP communication mode indication") will be defined by the Eurosystem after consultation within the User Testing Sub Group.
- § It is suggested by the DCP Forum Members to provide a firm commitment some 12 months before the commencement of a particular wave community test period. The following dates can be derived:

	DCP Non-binding Commitment	DCP Firm Commitment	Community Test Commences
Wave I	Oct 15 2013	Mar-14	Mar-15
Wave II	Oct 15 2013	Sep-14	Sep-15
Wave III	Oct 15 2013	Feb-15	Feb-16
Wave IV	Oct 15 2013	Oct-15	Oct-16

proposal by DCP Forum

<sup>1)</sup> to be confirmed

# Proposal for discussion: Non-binding declaration ('DCP Interest')

Necessity for a common form to be discussed

DCP's non-binding declaration could comprise the following information<sup>1)</sup>

- § Name of institution (legal entity) which intends to become a DCP
- § Name of CSD
- § Provide an indication if migration is planned as of day one of CSD migration or afterwards
- Timing and conditions of DCP Go-Live is up to bilateral agreements between the CSD and the DCP

Participants to discuss with whom and how the non-binding declaration will be channelled:

- § Participant → CSD → Eurosystem vs. Participant → Eurosystem → CSD
- § Per market vs. one declaration for all markets

DRAFT

CSD header:

DCP header (incl. CSD participant code, BIC code (if applicable)):

Date:

**Subject: DCP Interest – non-binding declaration of name of DCP**

Dear sir or madam,

In the context of the TARGET2-Securities migration, name of DCP would like to advise you of its interest to become a Direct Connected Participant (on the securities side) for application to application connectivity to T2S for name of CSD with respect to the following conditions:

<b>Name of institution (DCP)</b>	Please state the legal name of the institution
<b>Timing of migration</b>	<input type="checkbox"/> Day 1 of CSD migration <input type="checkbox"/> After stabilisation period after CSD migration
<b>Comments</b>	Please state additional comments relevant to your declaration

This expression of interest constitutes a declaration by name of DCP of its current intention to become a Direct Connected Participant. It is not to be considered as legally binding at this point in time. The information provided in this declaration is subject to change. In any case the admission of a DCP by each CSD is subject to name of DCP entering into one or more legally binding bilateral agreements with the respective CSD. Moreover, the successful passing of the DCP authorization is another prerequisite for name of DCP to become a DCP at the respective CSD.

In case of any additional information needed with regards to the current DCP interest declaration, please do not hesitate to contact us.

Sincerely,

1) See also provided template



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Update provided by  
Wave I

# Community Testing Recap of scope and approach

## Scope

- § DCP connectivity set-up and testing starts two to three months before community testing (only for the first time when acting as a DCP)
- § The Community testing stage will consist of a limited number of test cycles (2-3) with each test cycle lasting several weeks
- § CSDs, Central Banks and their communities have to align their test cycles with each other in the Community testing stage
- § T2S Testing Day Schedules will be applied based on the alignment with T2 Community<sup>1)</sup>
- § DCP community will be involved in tests of the relevant business continuity procedures as agreed between UTSG/PMG and OMG

## Participants

- § T2S, NCBs, CSDs, DCPs and ICPs
- § Community Test stage is the phase where customers (ICPs and DCPs) are involved in testing

## Approach

- § Community Test is mandatory for all DCPs
- § The test will be executed under “production-like” system entity and data configuration but with different timing and transactional data volumes (to be defined in the user testing calendar)
- § DCPs will receive pre-defined test cases to execute (certification and authorization)
- § This test phase is envisaged to start with an initial Pre-migration Migration Dress-Rehearsal and a Migration Weekend Rehearsal involving the customers (DCPs and ICPs)

1) Overview of T2S Test Schedules see appendix

# Business Day Testing

## Recap of scope and approach

### Scope

- § In this stage the focus is to verify the correct functioning of T2S under production-like conditions
- § This specifically includes the so-called “live timing”, i.e. a production-like configuration and scheduling of all processes
- § The system will be operated and configured as in production
- § Business Day Test includes further testing of operational procedures, such as the testing of crisis/incident management and business continuity

### Participants

- § T2S, NCBs, CSDs, DCPs and ICPs
- § The testing involves the security-maintaining entities and previously migrated CSDs and Central Banks with links to the migrating CSDs.

### Approach

- § Business Day test execution begins with a load of transactional data through either a Migration Weekend Rehearsal or a Migration Weekend Dress Rehearsal depending on the migration volumes.
- § The Eurosystem, CSDs, Central Banks and their communities may further test operational procedures, such as the testing of business continuity process
- § Transition from Business Day Testing will be done by preparing input for the go-no-go decision to go live with T2S Participants

## Community and Business Day Testing for Wave 1 Proposal provided by Wave 1

Proposal applies to  
Wave 1 only

- § Wave 1 Community testing will run between March, 2<sup>nd</sup> 2015 and May, 18<sup>th</sup> 2015, this will bring a total of 52 working days of testing (excluding Easter Friday and Monday and Labour day).
- § W1 calendar has been announced long time ago and the T2S PO doesn't seem open to changes.

### Wave 1 proposes the following:

- 1) Bring forward and optimize preparatory activities for community testing
  - Involve DCP in later phases of migration testing to start interacting with T2S - before start of Community - and hence start more effectively community testing execution
  - Execute initial pre-migration rehearsal (community test) by means of restore facility
  - Optimize initial Migration weekend rehearsal with the aim of creating a lean baseline of data for subsequent testing execution and avoid to start with full post-migration checks and volumes
  
- 2) Certification and Authorization testing
  - Certification and Authorization will not overlap but, instead should be considered synergic one to the other, hence reducing the total execution time
  - Authorization testing is meant to cover specific business processes including market and CSD specific requirements, as such authorization test cases are part of the business scenarios that would be tested anyway by any financial entity active on the concerned market

**Suggestion:** Detailed planning of the community testing phase should help to assess adequacy of the test duration.

**Note:** Community testing will include at least 1 weekend where migration dress rehearsals will be executed with the whole community of W1 participants + SMEs

# Community Testing Volumes restrictions<sup>1)</sup>

T2S operator communicated the thresholds for the number of messages and settlement instructions from which an E2E volume test/testing activity during the week would affect other test participants

Channel	Threshold per single CSD/CB
Store & Forward channel	1.200 settlement instructions per hour
Realtime Channel	50 query requests per hour
Browsing Channel	100 U2A requests per hour
SD Autocoll data	5.000 instructions per hour
SD Maintenance instruction	300 instructions per hour

## Suggestions:

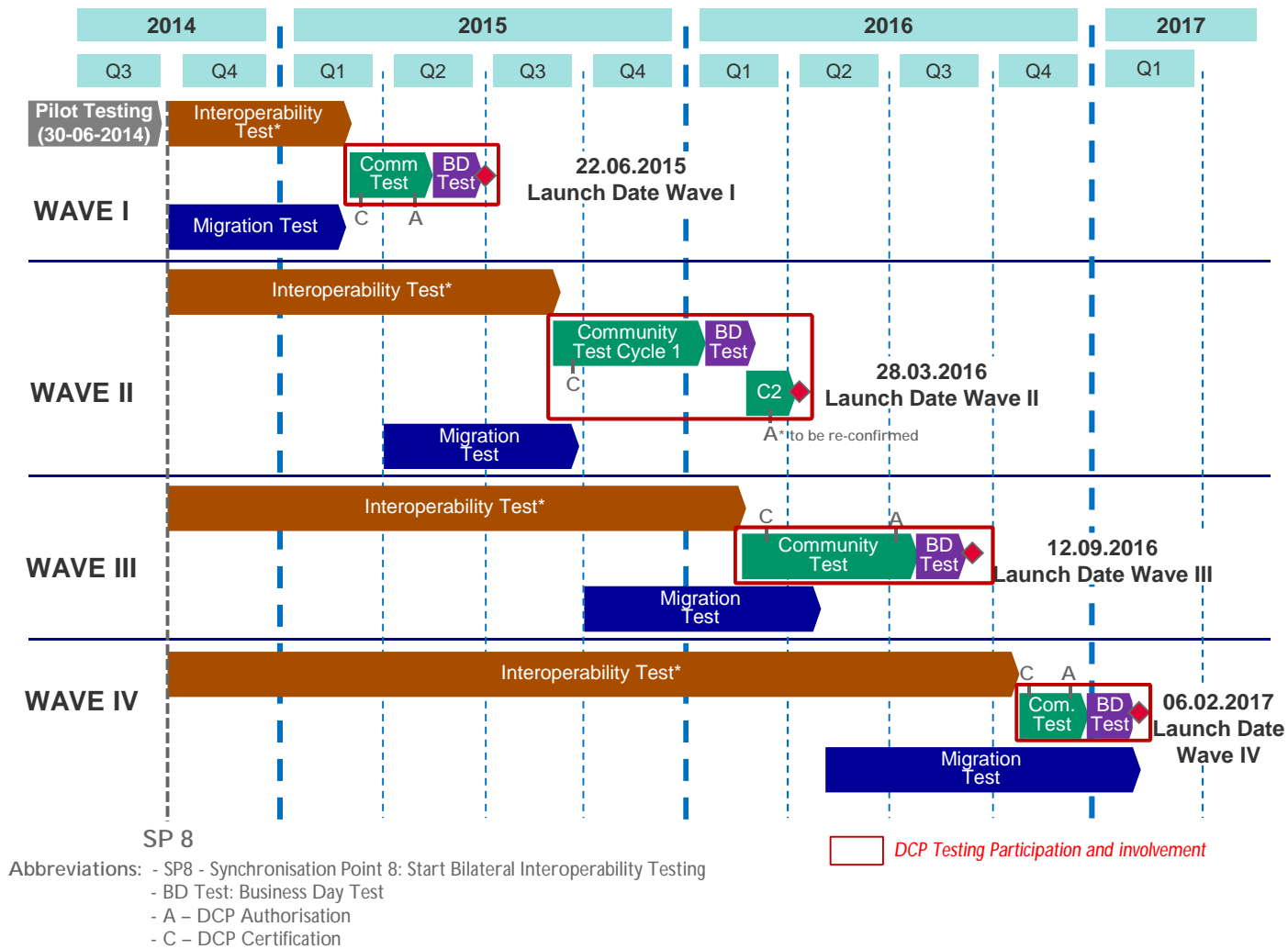
- § Quantify volumetric needs in light of Community and Business day testing plans.
- § T2S operator should be involved during the planning phase to evaluate impacts of testing activity.



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# Current T2S User Testing Timeline



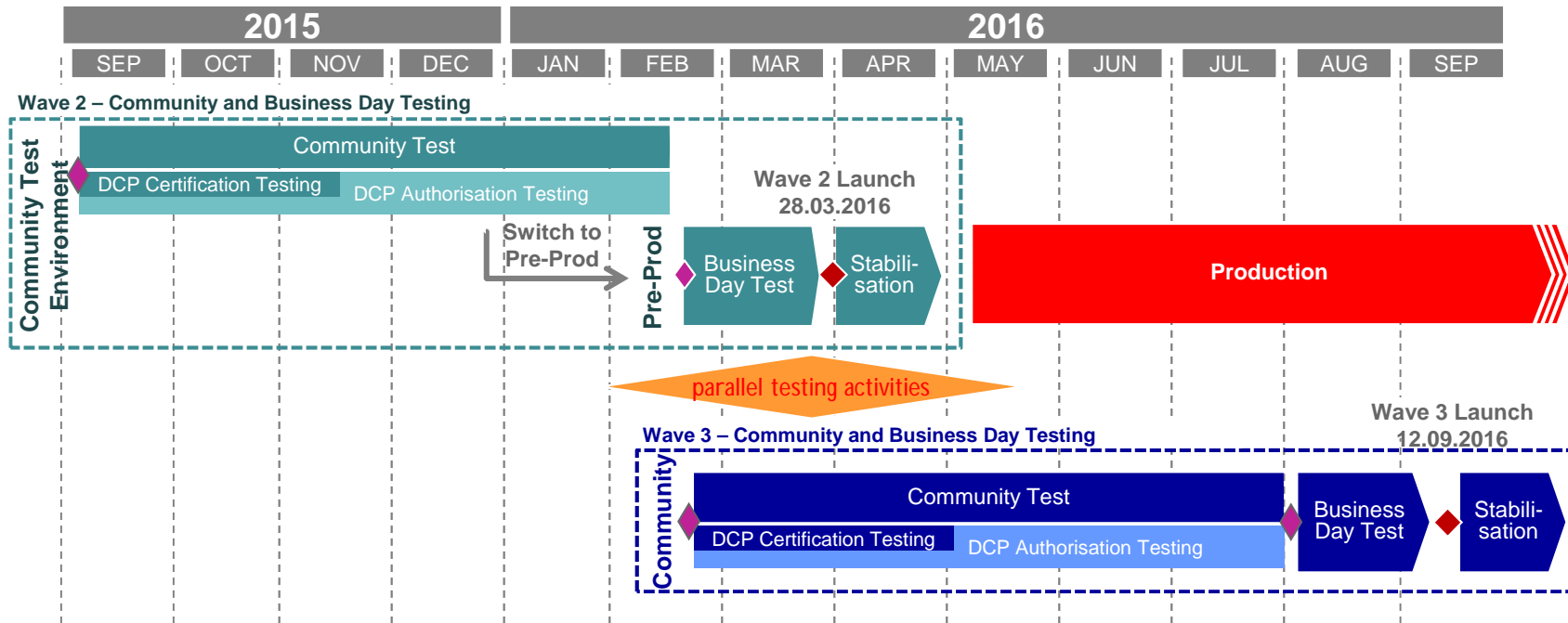
- According to the T2S Framework Agreement and the 'User Testing Terms of Reference' the community testing stage represents the first opportunity of the DCPs to start test interaction with T2S
- Start of Community resp. Business Day Test Stage with weekend (dress) rehearsal - involving also customers
- DCPs to plan their Eurosystem Certification testing during the first two (2) to four (4) weeks of the Community testing stage.
- DCP Authorization has to be passed during Community Testing stage for each wave where a DCP's CSD will migrate to T2S<sup>1)</sup>

\*) CSDs will have a maximum of six months to accept T2S from the start of the Bilateral Interoperability testing stage (SP8); exception for wave 1 three months after start of SP8

1) A second and following DCP Authorization for a DCP will be less comprehensive than the initial DCP authorization.

# Community and Business Day Testing Approach Wave 2 & Wave 3<sup>1)</sup>

The community testing stage provides the first opportunity of the DCPs to start test interaction with T2S



- § DCPs connecting to different CSDs in different migration waves have to establish parallel connectivity to multiple testing environments and will be faced with parallel testing activities during community and business day testing
- § The herein described approach to continue the Business Day Testing of Wave 2 on the Pre-Production environment has been agreed among the CSD participants of wave 2 and wave 3 and represents the current working assumption of the UTSG
- § This approach provides sufficient testing time for wave 2 and wave 3 without the need of an additional switch of user testing environments for wave 3 CSDs and their community

1) Timing of community testing of wave 2 and 3; switch of wave 2 customer testing to pre-prod is current working assumption and has to be finally agreed in Q1/2014

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As presented during 1<sup>st</sup> DCP Workshop on Testing & Migration

# Migration Organisation



<p><b>CSDs and NCBs:</b></p> <ul style="list-style-type: none"> <li>§ Registration of all actors involved in a particular migration wave</li> <li>§ Business application configuration of T2S by the T2S Operator</li> </ul> <p><b>CSDs and NCBs :</b></p> <ul style="list-style-type: none"> <li>§ Successfully establish connectivity to production environment by all migrating actors after SP14 "Ready to connect" is reached</li> </ul>	<p><b>CSDs:</b></p> <ul style="list-style-type: none"> <li>§ Actors to set up and maintain all relevant static data required for the successful migration to T2S</li> <li>§ (Nearly) all static data should be set-up / uploaded during this phase</li> <li>§ Initial static data upload during the pre-migration phase is to be maintained by the responsible entities until the migration weekend (and thereafter)</li> <li>§ Setup of special user rights for DCPs</li> </ul> <p><b>DCPs:</b></p> <ul style="list-style-type: none"> <li>§ Start to set up own users - sufficiently in advance of migr. weekend (pre-requisite: successful connectivity to production environment)</li> </ul>	<p><b>CSDs and NCBs:</b></p> <ul style="list-style-type: none"> <li>§ As one entry criteria T2S actors confirm the successful end of User Testing</li> <li>§ All necessary static data is uploaded prior to the migration weekend</li> <li>§ Confirm "readiness" including customers (DCPs / ICPs) to start migration activities</li> <li>§ Set-up of initial securities positions and restrictions via FoP instructions</li> <li>§ Upload of pending domestic and cross-border instructions; if needed</li> <li>§ CSDs will guide customers (DCPs / ICPs) through the migration weekend to achieve a smooth Go-Live</li> </ul>	<p><b>All T2S-Actors:</b></p> <ul style="list-style-type: none"> <li>§ Starts immediately after the migration weekend and will continue for – at least - 4 weeks</li> <li>§ Monitoring stabilisation of T2S platform</li> <li>§ Monitoring of the T2S platform for any business or technical issues</li> <li>§ Ensuring close collaboration and successful handover between the migration and operational teams at all sides</li> </ul>
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<sup>1)</sup> Duration of 3 months in general. Up to 4,5 months for wave 3 envisaged



# Migration Process

## Pre-Migration Phase Activities

Migration Wave Actor	High-Level Activities
Migrating CSD	<ul style="list-style-type: none"> <li>Upload static data (roles &amp; privileges, parties, sec. acc., etc.)</li> <li>Maintain static data</li> <li>Coordinate DCP activities of its CSD participants</li> </ul>
Migrating CB	<ul style="list-style-type: none"> <li>Upload static data (roles &amp; privileges, parties, DCAs, etc.)</li> <li>Maintain static data</li> <li>Coordinate DCP activities of its payment banks</li> </ul>
Already Migrated CSD & CB	<ul style="list-style-type: none"> <li>CSDs to upload supplementary static data (e.g. new CSD links)</li> <li>CBs to upload supplementary static data (e.g. new DCA/sec. acc. links)</li> <li>Maintain static data</li> <li>Confirm DCP readiness of new DCP CSD &amp; CB participants</li> </ul>
CSD and CB Participant	Activities to be defined by concerned CSDs & CBs individually
T2S Operator	<ul style="list-style-type: none"> <li>Support processing of DMT (Data Migration Tool) files</li> <li>Maintain business application configuration (e.g. BIC directory)</li> <li>Provide "last level of intervention" support if applicable</li> </ul>
RTGS Operator	Support setup of standing order liquidity transfers to T2S in RTGS system
Network Service Provider	Ensure regular availability of network during the pre-migration

### Potential DCP Activities prior to Go-Live:

- § Quality Assurance Static Data
- § Send/ Receive Queries
- § DCP-internal preparation to adapt to new business processes and system environments (internally as well as towards T2S and the CSD)

Source: T2S User Training – Basic Module

# Schedule of Migration Weekend

T2S Migration Weekend Playback

## Block 1: Set up of initial securities positions

- FoP instructions upload
- Reconciliation of the uploaded data after T2S feedback
- Settlement of FoP Instructions (and restrictions)
- Reconciliation of settlement feedback

## Block 2: Migration of pending instructions

- Upload of pending instructions
- Reconciliation of the uploaded data after T2S feedback

## Block 3: Migration of new and maintenance instructions

- Upload of new instructions and maintenance instructions
- Reconciliation of the uploaded data after the T2S feedback

## Block 4: Night-time settlement (NTS)

- First night-time settlement cycle
- Second night-time settlement cycle

- The migration weekend timeline is not yet completed due to the fact that some activities and/or timings are still missing (e.g. some data savings, repair activities)
- DCP involvement latest with point of no return<sup>1)</sup> (i.e. first time DCPs can interact with T2S during the migration weekend)
- DCPs will be involved during pre-migration activities prior to the cut-over weekend (e.g. send queries; quality check on static data)
- During cut-over weekend DCP activities will focus on changing their connectivity and business processes towards the new/adapted CSD and T2S connectivity

Point of no return  
to be confirmed

1) with regards to cut-over weekend from T2S platform perspective

# T2S Migration Activities – Weekend Potential Customer Activities

Activities and dependencies between T2S Actors will be covered in the detailed migration storyline

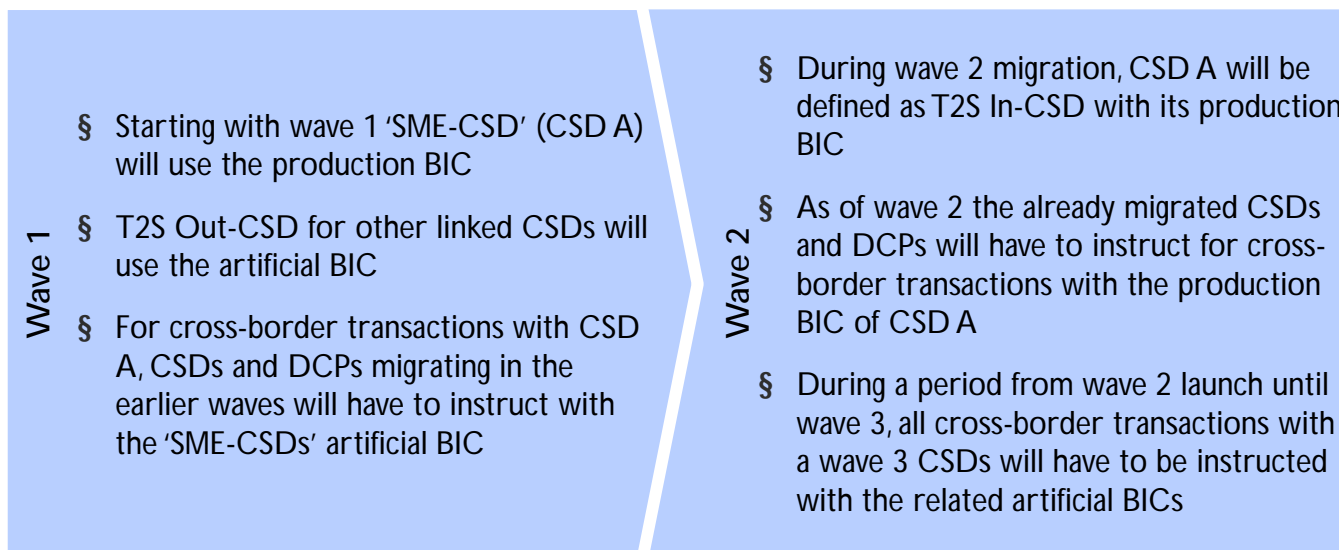
<b>Technical Launches on Customer Side</b>	<ul style="list-style-type: none"> <li>§ In-house systems of the DCPs need to be updated over the migration weekend</li> <li>§ Provide technical connectivity to T2S and CSD system infrastructure</li> </ul>
<b>Migration of Positions</b>	<ul style="list-style-type: none"> <li>§ Different procedures among the CSDs for setting up the initial T2S positions might apply (e.g. pure 'mirroring' of the existing CSD positions)</li> <li>§ Some of the processing steps will be subject to customer reporting</li> </ul>
<b>Migration of Instructions</b>	<ul style="list-style-type: none"> <li>§ Prior to the migration weekend some organisational and / or technical measures may become necessary to reduce the number of pending instructions</li> <li>§ The majority of instructions is expected to be migrated automatically by the CSD</li> <li>§ For some instruction types it may be required to execute a cancellation / re-instruct procedure (e.g. due to differences in the transaction life cycle models). This approach is applicable to all pending cross-border instructions with involvement of migrating CSDs (affecting also already migrated CSDs)</li> <li>§ Pending instructions with an intended settlement date before Go-Live and older than the initial set up date of the CSD entity in T2S will be treated in the same way as any other pending instruction (a possible solution has been agreed meanwhile and was described in a related change request<sup>1)</sup>)</li> </ul>
<b>Messaging during Migration Weekend</b>	<ul style="list-style-type: none"> <li>§ During the migration weekend customers may receive information arising from technical migration processes (e.g. position setup, migration of pending instructions)</li> <li>§ Such messages, queries or reports cannot be processed by the customers "business as usual" - processes and require special treatment</li> </ul>
<b>Filtering of instructions</b>	<ul style="list-style-type: none"> <li>§ It was agreed that T2S will not suppress / filter out any messages to DCPs</li> <li>§ DCPs to take appropriate measures to suppress / filter the relevant messages</li> <li>§ Only a blocking of messages until a certain point of time will be supported by T2S</li> <li>§ The related change request<sup>2)</sup> is subject to a detailed assessment by 4CB</li> </ul>

1) Change Request #T2S-0409 SYS "Migration of Pending instructions with ISD in the past"  
 2) Change Request #T2S-0411 SYS "Blocking and release of messages during migration weekend"

## Migration of cross-CSD pending instructions<sup>1)</sup>

### '2 BIC approach' will apply until the end of all migration phases

- § From a migrating CSD perspective the migration of cross-CSD pending instructions is very similar to the migration of intra-CSD pending instructions
- § During the migration weekend all cross-CSD pending instruction against migrating CSDs will need to be cancelled and re-instructed by already migrated CSDs
- § The same applies for cross-CSD pending instructions against migrating CSDs sent by already migrated DCPs prior to the migration weekend. Once the updated cross-CSD instructions are sent to T2S, they will be re-processed covering the full transaction lifecycle.
- § The MSG agreed that the same branch code („MIG“) will be used by all CSDs – called artificial BIC



1) Cross-CSD settlements, i.e. settlements between T2S Actors of different CSDs, the latter being in T2S respectively migrating to T2S; Example assumes CSD A will act as SME as of wave 1 and will migrate to T2S in wave 2

## Agenda

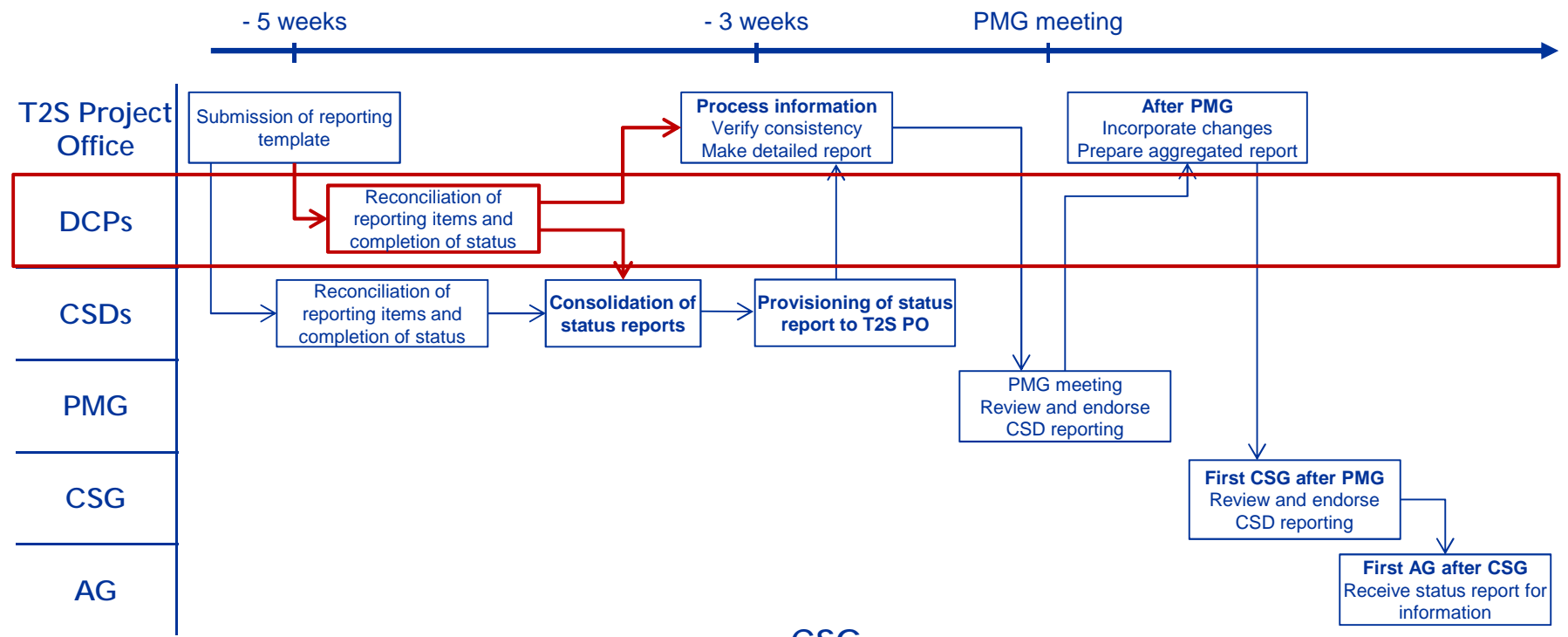
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# Proposed DCP readiness status reporting procedure

As initially presented during DCP Forum in Madrid on 22 May 2013

- q Currently CSDs report on the steps they take to provide their community / DCPs the possibility to be ready
- q Interested DCP entities initiated the request to report to the ECB on their internal readiness
- q Although the exact scope of the status report is still to be defined, it is suggested that the DCPs report directly to the CSDs, where they intend to have a direct connectivity
- q CSDs will afterwards incorporate the status provided by the DCPs within their report
- q For discussion: Start of DCP readiness reporting



As initially presented during DCP Forum in Madrid on 22 May 2013

- q The Client Readiness Implementation Guide specifies that the CSDs are responsible for the monitoring of the readiness of their community\*:

*“ ...The Clients are responsible for monitoring the readiness of their communities. The DCPs fall under the responsibility of the CSD or the Central Bank they have contracted with. Clients should keep their Client Relationship Manager informed about any relevant information regarding their own adaptation as well as the adaptation of their community to T2S. Each DCP has to prepare and align its own internal T2S readiness plan in close cooperation with its CSD or its Central Bank in accordance with the general T2S Programme Plan and more specifically with the DCP Certification process...”*

- q DCPs have to provide a separate status report to each individual CSD via which they will connect directly
- q Exact content and format of reporting template is still to be defined but, to a certain degree, it will depend on the T2S Programme Plan and the CSD internal adaptation plan

\* Source: T2S Client Readiness Implementation Guide, Roles and Responsibilities of the Clients

As initially presented during DCP Forum in Madrid on 22 May 2013

## DCP

DCPs provide detailed status report towards each CSD via which they will connect directly

## CSD/NCB

CSDs include the status of their DCPs in their status reporting

## T2S PO

T2S PO processes the status report and creates a detailed and aggregated status report

## PMG

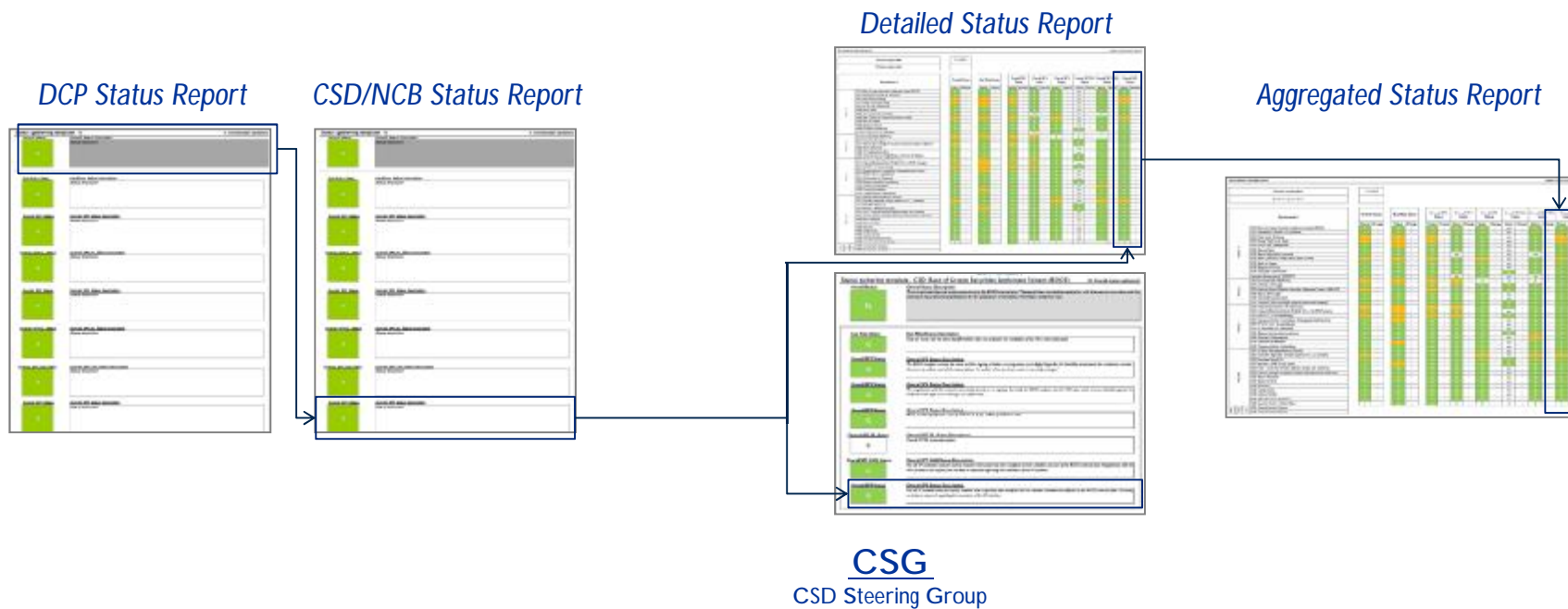
PMG reviews and endorses the detailed CSD status report each containing one status on the DCP readiness

## CSG

After approval of the status report by the PMG the T2S PO provides an aggregated status report towards the CSG for information and endorsement

## AG

After approval of the status report by the CSG, the AG receives the aggregated status report for information



## Agenda

1. Proposal of DCP declaration procedure and common form
2. Aspects of Testing and Migration Planning/ Organisation
3. Proposal DCP Readiness Status Reporting
4. Recap & Follow-up Questions by DCP Forum
5. Appendix

## Follow-up Questions by DCP Forum (1/5)

### 1. Non-binding declaration of interest to become a DCP

1. Timing by Oct 15 or Oct 31 2013 – this date is to be confirmed and possibly to be extended to December 2013 (to be re-confirmed by ECB).
  - è Slides 6-8 addressed proposed procedures of non-binding DCP declaration
2. The “form” of the DCP non-binding declaration is still to be discussed and finalized. Need to review both legal/contractual aspects and required business/technical information to be provided in the declaration.
  - è Slides 6-8 addressed proposed procedures of non-binding DCP declaration
3. Additional point to be confirmed is the exact nature of a “firm/binding” commitment: what would be the consequences of a firm giving a commitment to become a DCP and then opting for ICP connectivity instead? To be discussed further, possibly at another workshop on Contractual Arrangements.
  - è Topic to be addressed in follow-up workshop



## Follow-up Questions by DCP Forum (2/5)

### 2. Testing and Migration: Planning

1. User Testing Timeline: discussion about Wave 1 and the fact that the Community Testing window is only 3 months, compared to Waves 2 & 3 where the time available for Community Testing is almost doubled. Follow-up needed for possible revision of plans, e.g. inclusion of DCPs in Interoperability/Acceptance Testing.
  - è *Slides 10-12 are providing the proposed approach of wave 1*
2. Test environments will have limited capacity, so potential problems when CSDs, NCBs, ICPs, DCPs, CCPs and trading venues all test together, resulting in possible insufficient test capacity. Measures to address this.
  - è *See slides 13 and 36 provide an overview of T2S Test Environment Capacities*
3. DCPs involvement will be required for various pre-migration activities, including static data validation before the actual “point of no return” and various reconciliation tasks for the migrated positions and pending transactions. Need to confirm the level of DCPs involvement in these activities and in the final “go-no go” decision, prior to the point of no return.
  - è *Slides 18-22 are addressing pre-migration and migration activities of DCPs/ CSD participants*
4. Reporting to the ECB about DCP readiness, it was agreed that this should be effected in strict cooperation with the DCP Forum. Review of DCP Readiness Status Reporting Process.
  - è *Slides 24-26 provide overview of proposed approach of incorporation of DCP Readiness Status Reporting into existing CSD Client Readiness Reporting*

## Follow-up Questions by DCP Forum (3/5)

### 3. Testing and Migration: Organization

1. Potentially CSDs will consider measures to reduce number of pending transactions to be migrated into T2S (e.g. automatic cancellation of stale pending (unmatched) instructions and/or of failing transactions. To be discussed further.
  - è *Slide 22 describes '2 BIC Approach' for migration of pending cross-CSD Instructions*
2. Additional information required about specific testing plans for cross-CSD activities, as current analysis and documentation seems to be mostly focused on adaptation and testing requirements of domestic CSD communities in isolation.
  - è *Planned to be addressed during T2S Testing Planning and environment usage*
3. End-to-end testing (including migration procedures) with other parties, such as CCPs and trading venues, should also be considered.
  - è *Planned to be addressed during T2S testing planning and environment usage*
4. Coordination of test cases for each CSD and across multiple CSDs (cross-CSD settlements and multi-listed securities).
  - è *Planned to be addressed during T2S testing planning and environment usage*

## Follow-up Questions by DCP Forum (4/5)

### 4. Additional questions related to Testing, Migration and Authorization Procedures

1. During TMAP workshop #1 it was mentioned that the vast majority of test cases will be common between DCP and ICP users. For the 10% that will remain different, what specific services will be available to DCPs to accommodate their testing needs?  
*è See slide 41 for further clarification on T2S Authorization and Certification procedures*
2. Account operator/Sponsored access for DCPs: if technical sender is different from the business sender, who is the party that needs to obtain DCP certification and authorization? Need for a harmonized/consistent approach across CSDs.  
*è See slide 6; further clarification on access options and DCP definition planned*
3. Contingency arrangements: will it be possible to switch between VAN SPs? Will it be possible to switch between DCP mode and ICP mode? Please consider both questions in relation to testing/migration period as well as for production.  
*è In case a T2S Actor will switch its Network Service Provider it has to be communicated to the Eurosystem 6 months in advance. The way of tackling this in the above described scenario of having two providers for backup/contingency reasons needs to be further investigated.*

## Follow-up Questions by DCP Forum (5/5)

### 5. Other Questions

1. CSD authorization criteria: common understanding that most of the authorization criteria can be standardized across CSDs and others will differ due to market specificities. CSDs currently assume 60 to 70% of the criteria being standardized and the remaining 30 to 40% will be market specific.  
*DCPs would prefer a higher harmonization rate – to be discussed*
  
1. Duplication of test cases: According to DCPs test cases should not be repeated, i.e. if a DCP successfully passed the standard test cases with one CSD, they should also be valid for the next CSD in which the DCP seeks to be certified. The CSDs are of the opinion that even standard test cases should be performed by the DCP in each CSD.  
*Following discussion in Workshop #3, this matter appears resolved in favour of no/minimal repetition, to be confirmed*
  
3. CSD authorization criteria/ DCP service levels: DCPs require whitepapers of the CSDs to take a decision re Direct connectivity. CSDs agreed to provide them at the beginning of September as a living document.  
*First draft needed by October deadline for non-binding commitment; an updated and stable version is needed prior to date when firm commitment is to be given.*
  
4. DCP end-to-end volume tests: CSDs only agreed to conduct volume tests based on estimated DCP volumes. This is not sufficient for DCPs; DCPs need to perform their own end-to-end volume tests during their testing activities.  
*Issue already discussed at UTSG at end of August. DCPs want to better understand how the ECB will execute their internal volume tests to judge whether the CSDs can process extremely high/ peak volumes.*

## Outlook: Next DCP Workshop

An additional DCP-Workshop beginning/mid of October<sup>1)</sup> is deemed as useful in order to cover aspects such as

- § Analysis of the arrangements for DCA holders and payment banks
- § Review of high-level technical and legal aspects of the DCP status
- § Potential follow-up topics stemming from the 4<sup>th</sup> DCP workshop

1) Currently, Wednesday, 9 October seems a preferred date but is still subject for confirmation



## Agenda

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## Proposed procedure for non-binding declaration of 'DCP Interest'

### Proposal for process to submit non-binding declaration via CSD

- § After an agreement on the template has been reached, the following procedure could be applied to gather the non-binding declarations and to submit it to the ECB
  - § The commitment on a common template for the non-binding declaration is independent of the declaration date
1. Circulate the blank declaration form (sender/receiver tbd)
  2. Potential DCPs send filled out form to respective CSDs (each CSD to indicate how they want to receive the form)
  3. CSDs forward forms to CSG Chair Office
  4. CSG Chair Office consolidates forms
  5. CSG Chair Office sends consolidated declarations to ECB in the name of CSDs

## Processing Capacity T2S User Testing Environment

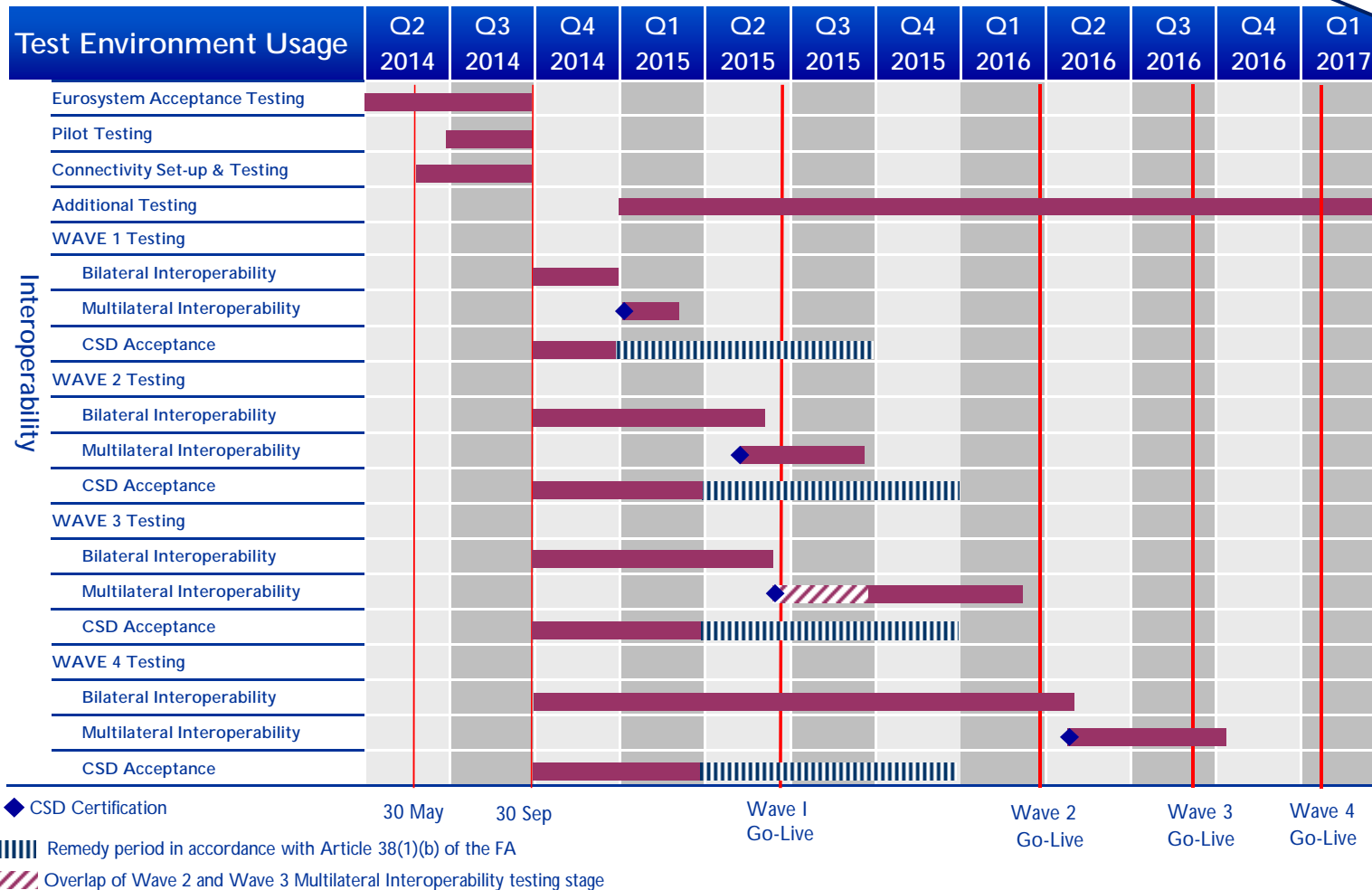
The overall processing capacity of all T2S test environments is up to 10% of the production capacity, based on the following metric

Description	Metric	Total Processing Volume for all environments (10% of Production Processing Capacity)
Peak night time work load	Messages	1,500,000
	Settlement Instructions	720,000
	Settlement Transactions	390,000
Peak day time daily work load	Messages	600,000
	Settlement Instructions	270,000
	Settlement Transactions	135,000
Night time peak hour work load	Messages	150,000
	Settlement Instructions	72,000
	Settlement Transactions	39,000
Day time peak hour work load (assuming an 12 hour work day)	Messages	60,000
	Settlement Instructions	22,000
	Settlement Transactions	11,000
Maximum U2A browsing requests per hour	HTTP requests	2,500
Maximum A2A queries per hour	Query requests	1,000

- § The Eurosystem will provide sufficient resources for migration weekend dress-rehearsals and CSDs and Central Banks volume testing
- § The Eurosystem will assure the additional processing capacity depending on the scope of the planned testing (e.g. concentration of 20% for migration weekend dress rehearsal)

# Usage of T2S – Test Environments (1/2)

DRAFT - Not final



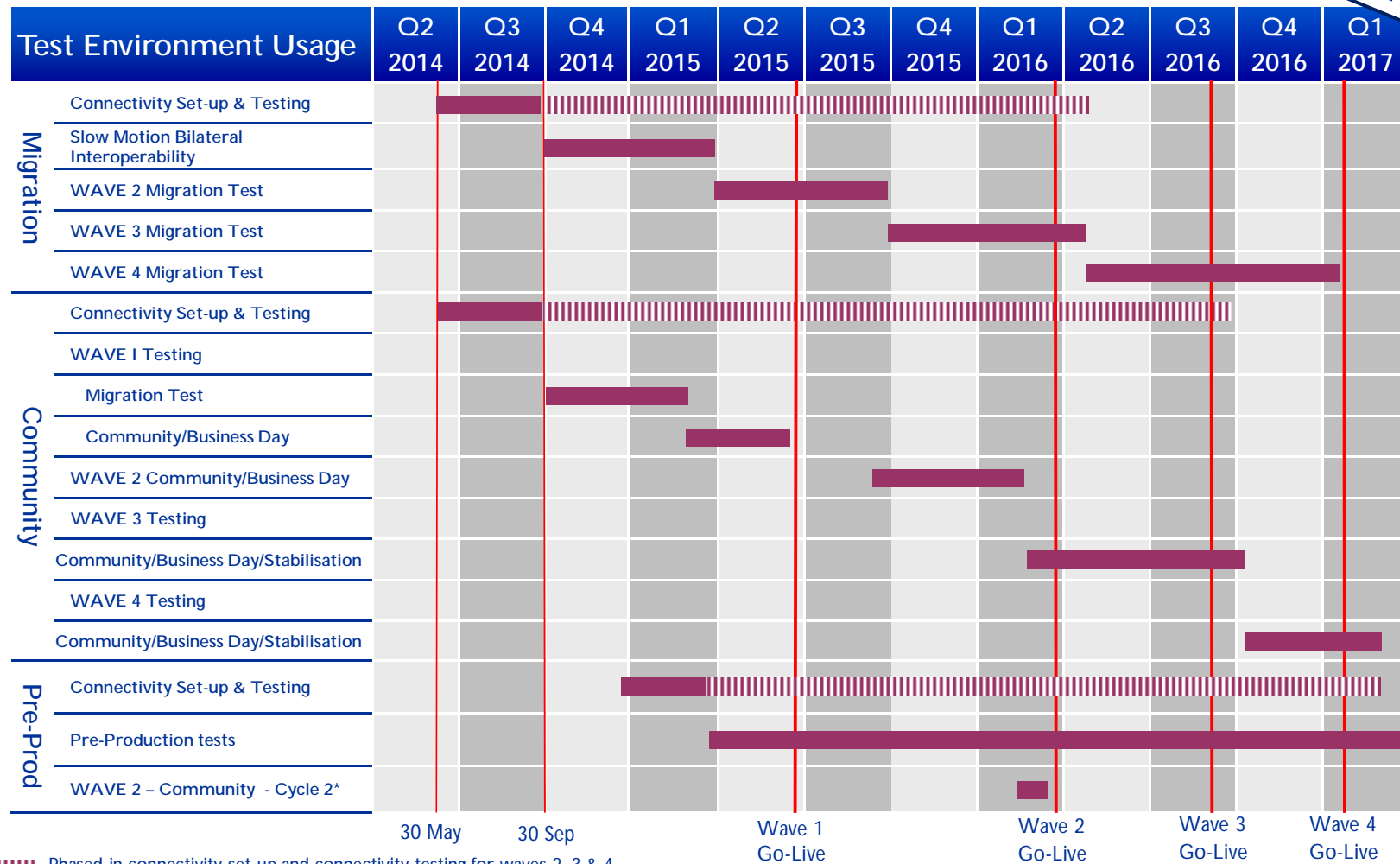
1) Source Terms of Reference -  
not final yet



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# Usage of T2S – Test Environments (2/2)

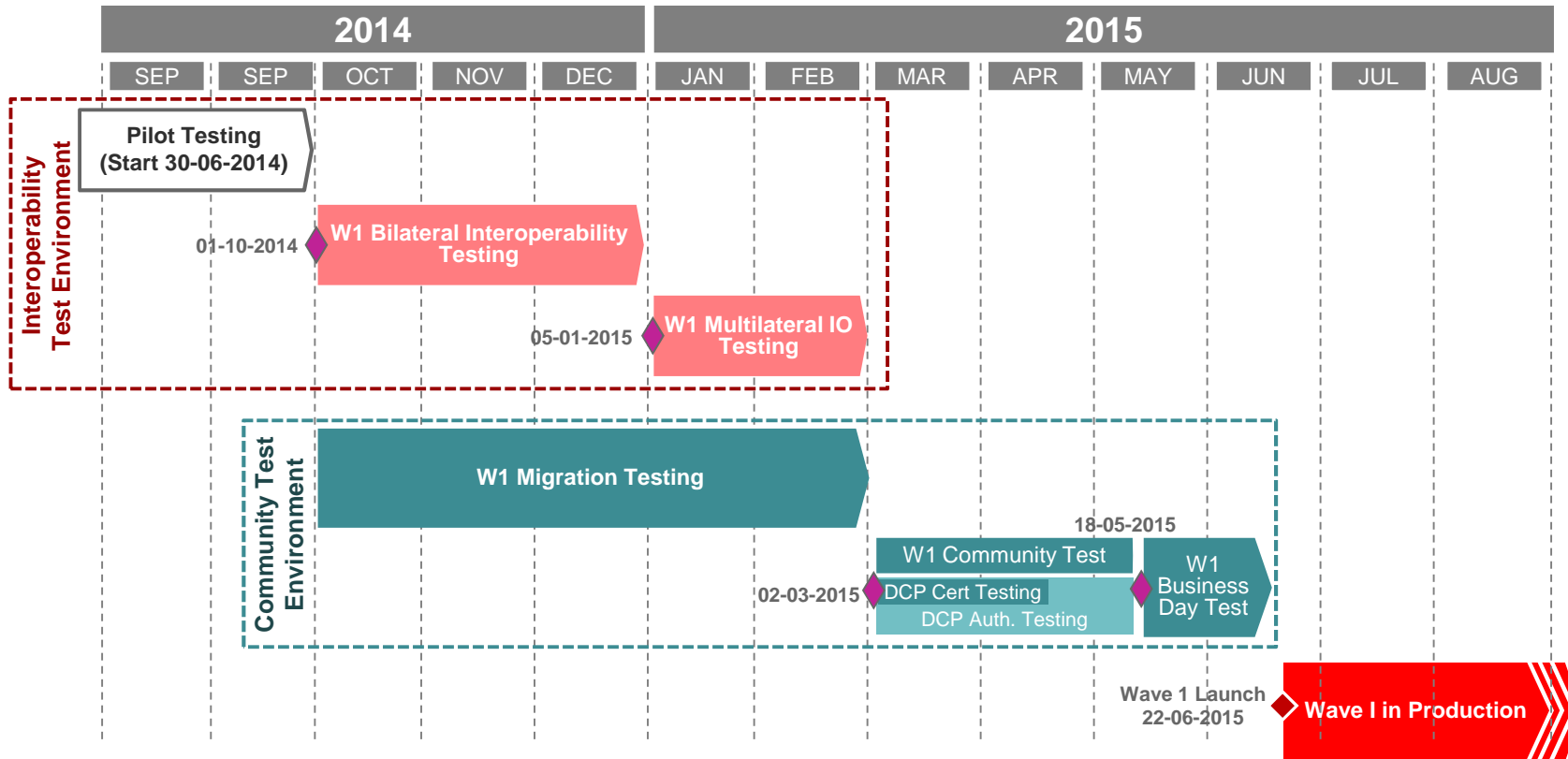
**DRAFT - Not final**



1) Source Terms of Reference -  
not final yet



# T2S User Testing Phases Wave 1



1) Example shows timing of community testing of wave 2 and 3; switch of wave 2 customer testing to pre-prod is current working assumption and has to be finally agreed in Q1/2014

## T2S Test Schedules

NUGs<sup>1)</sup> agreed on alignment of TARGET2 and T2S daily schedules

T2S Daily Schedule <sup>2)</sup>	T2S Standard Day	T2S Synchronised Standard Day	T2S Release Day (every Friday) <sup>3)</sup>	T2S Live Timing
Start of Testing	7:00	7:00	7:00	7:00
Real-time Settlement				
FoP Cut-off <sup>4)</sup>	17:00	15:30	15:30	18:00
End of Day / Start of Day				
Start of Night-time Settlement	18:30	17:00	17:00	19:30
Night-time Settlement				
End of Testing	19:00	19:00	17:30	~22:30

- From October 2014 onwards the TARGET2 and T2S schedules will be aligned
- For TARGET2 users the “interbank cut-off time” will be the same throughout the week
- The agreement was reached that the T2S Release Day schedule will be applied on every Friday (instead of on Release Days only)
- T2S Live Timing is planned to be applied only during the Business Day testing stage
- The User Test Calendar will define in detail when which test environment will be operated with which daily schedule

1) NUG - National User Group

2) T2 daily schedule for Monday till Thursday will be adapted on November 18, 2013. The T2 schedule for Fridays will be adapted on July 1, 2014

3) It must be noted that the T2S Release Day schedule will also be applied on other week days where an extraordinary software roll-out takes place

4) DvP Cut-off time has not been determined yet

## DCP Certification and Authorisation

DCPs need to pass two steps which are very different to each other with regard to their objectives and comprehensiveness.

DCP Certification	DCP Authorization
<ul style="list-style-type: none"> <li>§ According to the Framework Agreement, the DCP Certification aims to provide evidence that the adapted IT platforms of a DCP does not harm T2S as the result of inappropriate technical communication or procedures.</li> <li>§ As this is a ECB requirement, ECB will define the test cases which need to be successfully executed (test cases will be available 6 months before the community testing stage for wave 1).</li> <li>§ The DCP Certification needs to be passed at an early stage of Community Testing.</li> <li>§ The DCP Certification is less comprehensive than the DCP Authorization.</li> <li>§ The DCP Certification has only to be passed once by a DCP, also when the DCP plans to connect to multiple CSDs.</li> </ul>	<ul style="list-style-type: none"> <li>§ The CSDs are responsible for the authorization and therefore define the test cases that a DCP needs to successfully execute to show its compliance with CSD's processing according to market and legal specific requirements.</li> <li>§ The test cases will cover specific business processes including market and CSD specific requirements (e.g. domestic settlement, cross-border scenarios with In-CSD and Out-CSD). CSDs will individually provide the test cases in adequate time.</li> <li>§ DCP Authorization needs to be successfully passed by the DCP for each its CSDs prior to the end of the Community Test stage.</li> <li>§ The CSDs aim to achieve a high degree of standardization. However, the degree of standardization depends on market and legal specific characteristics.</li> </ul>

Note: Specific test cases can be subject to both, DCP Certification and DCP Authorization. If a test case has been already passed in the DCP Certification it serves as a proof for the DCP Authorization.

## Proposal: Pre-requisites and conditions for becoming a DCP in T2S (High-Level)

To successfully become a DCP several analysis and evaluation activities related to bilateral agreements need to be taken into account

### Evaluation and Analysis phase

- § Strategic analysis and evaluation on how to approach T2S
- § Communication and provisioning of non-binding declaration to become a DCP
- § Set-up of bilateral contractual arrangements with CSD related to T2S<sup>1)</sup>
- § Provide firm commitment to become a DCP
- § Contractual arrangements with Network Service Providers
- § Evaluate testing and migration strategy to T2S

### Testing and Pre-Migration Phase

- § Assess potential DCP migration scenarios
- § Execute internal system tests and T2S Community/ Business Day Tests (incl. Migration Testing)
- § DCP must pass certification of ECB and successful establish connectivity to T2S
- § DCP must pass authorization criteria determined by the CSD

### Go-Live Phase/ DCP Migration to T2S

- § CSD to successfully finish community and business day testing phase and ready to migrate to T2S
- § DCP to receive access from CSD to different parts of T2S services
- § Set-up account-structure, define privileges and configuration, grant access rights (done by CSDs)
- § T2S Migration based on agreed migration scenario

1) Assumption: DCP candidate has already an established relationship with the according CSD (i.e. securities account exists or will be opened at the CSD prior to migration)



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# CSDs survey on offering of DCP services

Status as of 04 Sept 2013

	CSD	Offering of DCP Services <i>Decided to provide Decided not to provide Decision open</i>	Timing of service offering description <i>If the decision has been made to provide DCP services please indicate by when a description of the service offering will be communicated</i>	Timing <i>If the decision has been made to provide DCP services please indicate by when these services will be provided</i>
Wave 1	BOGS, Greece	Decided to provide	Still open	Still open
	Monte Titoli, Italy	Decided to provide	Already agreed and communicated to participants through the User Requirements document	Since the T2S go-live date
	MSE, Malta	Decided to provide	Service Offering description will be communicated at a future date	DCP Service Offering commencement will be duly announced
	Depozitarul Central, Romania	Decided to provide	By the end of 2013	T2S go-live (June 2015)
	SIX SIS Ltd, Switzerland	Decided to provide	By the end 2013	Wave 1
Wave 2	Euroclear, Belgium	Decided to provide	Early 2014	Wave 2 launch
	NBB SSS, Belgium	Decided to provide	Mid 2014	Wave 2 launch
	Euroclear France	Decided to provide	Early 2014	Wave 2 launch
	Euroclear, Netherlands	Decided to provide	Early 2014	Wave 2 launch
	Interbolsa, Portugal	Decided to provide	By Q4 2013	Wave 2 launch





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## CSDs survey on offering of DCP services

Status as of 04 Sept 2013

	CSD	Offering of DCP Services <i>Decided to provide</i> <i>Decided not to provide</i> <i>Decision open</i>	Timing of service offering description <i>If the decision has been made to provide DCP services please indicate by when a description of the service offering will be communicated</i>	Timing <i>If the decision has been made to provide DCP services please indicate by when these services will be provided</i>
Wave 3	OeKB, Austria	Decided to provide	March 2014	As of migration T2S (3rd wave)
	CBF, Germany	Decided to provide	Service scope published via homepage, task forces, workshops and on bilateral meetings. Technical specification by the end of 2013	As of migration T2S (3rd wave)
	VP Securities, Denmark	Decided to provide	Pending on the ongoing discussion on possible (partly) T2S harmonization of CSD DCP services	With migration of local currency to T2S (expected for 2018)
	Keler Ltd, Hungary	Decided to provide	By the end of 2013	As of migration (3rd wave)
	LuxCSD, Luxembourg	Decision to provide	LuxCSD service is based on the Clearstream infrastructure and hence the same timeline applies as for CBF	As of migration (3rd wave)
	VPLux, Luxembourg	Decided to provide	Pending on the on-going discussion on possible (partly) T2S harmonization of CSD DCP services	2016
Wave 4	Estonia CSD	Decision open	Tbd	Tbd
	Iberclear, Spain	Decided to provide	Communicated to the interested DCPs on bilateral meetings	Depends on each of the services. Communicated to interested DCPs
	Euroclear Finland Ltd	Decided to provide	Tbd	As of migration (4th wave)
	Lithuania CSD plc.	Decision open, finalize questioning of participants	Tbd	Wave 4
	KDD, Slovenia	Decided to provide	By mid 2014	At the time of KDD's migration to T2S
	CDCP, Slovakia	Decision open	Tbd	Decision on provision of DCP services will be made after migration to T2S