

T2S DCP GROUP

ECB-PUBLIC

18 October 2018

AGENDA OF THE 26TH MEETING OF THE DCP GROUP

Thursday, 18 October 2018, 15:30 - 17:00

The meeting will be held by conference call

Conference call dial-in: +49 69 1344 987 (pause) 2005# followed by the required PIN 3881#.

1. Welcome by the Chairperson

The Chairperson, Marcello Topa, welcomed the participants to the 26th T2S DCP Group (DCPG) conference call meeting and indicated that there might be a need to change the current format of having the DCPG meetings after the CSG meetings for a later date and to have the meeting in conference call format instead of physical meeting. The agenda of the meeting was approved without adding any additional ad-hoc item.

2. Review and update of recent issues

The Chairperson presented the Summary document of the 25th DCPG meeting and invited the DCPG members to approve it. The Summary document was approved without any objection.

2.1. Directly Connected participants consolidated list

The Chairperson informed the members of the DCPG that the DCP's consolidated list of DCP declarations had changed to include new DCPs on the books of SIX SIS and National Bank of Belgium for a DCA Holder. However, the declared DCP list still reflected 166 institutions with 244 DCPs as the two institutions were already including in the DCP list with other CSDs and NCBs. Mr Topa, further informed of the new "relevant institutions" list created by the OMG to identify those institutions which might take part of T2S crisis managers' conference call if deemed necessary by the CSDs (this list also includes DCPs). This topic was further discussed during agenda item 3.1 OMG update.

3. Debriefing on regular agenda topics

The DCPG members took note of the information originating from other T2S groups, NCBs and CSDs activities on items that are also relevant for the DCPs.

3.1. T2S Operational Status, OMG update

The ECB representative, Markus Stiller, debriefed the DCPG members on the work within the Operational Managers Group (OMG) focusing on the differences between the DCP list and the “relevant institutions” list that will only be used should there be a need to trigger a T2S Crisis Managers’ conference call and the T2S CSDs request the presence the relevant institutions. The relevant institutions list is composed of CSD participants and other institutions (e.g. ESMA), of which not all are DCPs. The OMG is preparing a Crisis Managers conference call test for which the DCPs will probably not be included. The test is scheduled for the 6 November 2018 and the CSDs will confirm the participants to the test call.

The Chairperson asked about the incident occurred on the 17 October, to which the Iberclear representative informed that 4CB was still investigating the issue.

3.2. CRG update

The ECB representative, Olivier Leveque, debriefed the DCPG members on the Change Requests (CRs) relevant to the DCPs that were discussed in the CRG conference call on the 26 September 2018 and in the CSG meeting on the 9-10 October 2018. The debriefing on Change Requests was divided into two sections as follows:

- Change Requests included in R3.0

CR-612 (Alignment of T2S Messages with ISO Maintenance Releases 2013 - 2017) – The CR was updated by fixing typos (paths for fields in specific messages, etc.). The switch to the new ISO should take place in June 2019. The DCPG members were informed that it is not foreseen to have an overlapping period where old and new versions of messages would be accepted by T2S.

The DCPs asked the following questions:

- ✓ exact time from which T2S will reject messages in the old versions,
- ✓ time when T2S will accept messages in the new versions,
- ✓ whether, if an instruction is sent in the old format before the switch, T2S will reply in the old or new format after the switch has been completed.

The above three questions were asked to the T2S User Testing colleagues and unfortunately, there are no answers at this point, so they will be raised again to UTSG for review and deliberation.

CR-520 (Add new fields to T2S messages sese.020, sese.024 and sese.025 needed for CA processing) - Minor updates on the path for sese.024/sese.025 messages; more importantly, it was discussed in the CRG that a complementary CR was needed, i.e. CR-686 (Enhanced reporting for market claims, transformations and cancellations), which is under detailed assessment.

CR-543 (Minimum amount for auto-collateralisation transactions) - This CR was updated, in a way that is relevant to the DCPs, in that it improves the way the new minimum amounts will be displayed in the T2S GUI.

- CSDR-related Change Requests

Re-assessment of CR-606 ('Place of Trade' and 'Place of Clearing' reported consistently), CR-609 (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) and CR-614 (Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported) – There were no substantial updates on these CRs and they are now planned to be included in R3.2 (Nov 2019).

CR-654 (T2S Penalty mechanism) and CR-685 (Penalty mechanism for non-T2S CRs) - The CSDR Task Force made significant changes to these CRs and they are now under detailed assessment with 4CB, to be included in R4.2 (Nov 2020).

Please find below the ECB CRG website link with all the information to the CRG for your convenience:

<https://www.ecb.europa.eu/paym/target/t2s/governance/html/changerequests.en.html>

3.3. T2S Release Management process

Iberclear representative, Jesús Sánchez, informed the DCPG members that the CSG approved the Service Transition Plan (STP) for releases 2.2, 2.3 and 3.0 that are planned for 17 November 2018, 16 February 2019 and 8 June 2019 respectively.

3.4. T2S Migration/De-migration

3.4.1. T2S Migration window 2018

Jesús Sánchez further informed the DCPG members that there were no showstoppers for the upcoming DKK Migration window planned to bring the Danish Krone on the T2S platform, including VP Securities, ID2S (new French CSD) and the Central Bank of Ireland.

3.4.2. VP Lux T2S Exit

Jesús Sánchez also informed the DCPG members that VP Lux will be exiting the T2S platform, which is planned for the 9 November 2018. Jesús further mentioned that the exit procedure might impact the

duration of NTS on the evening of the 9 November. However, it is not expected to last more than two hours. The T2S User Testing colleagues are assessing the impact and if the duration can be avoided.

Marcello Topa asked for information concerning the T2S production incident occurred on the 17 October 2018 to which Jesús Sánchez indicated that the root cause was not known and still under investigation by 4CB.

4. Additional topics

4.1. CSG meeting update

Clearstream representative, Katharine Waldie, debriefed the DCPG members on the CSG meeting that took place on the 9/10 October 2018. Kathy debriefed on two topics as follows:

New T2S Governance structure regarding technical groups - The CSG agreed to some of the ECB proposals for improving the T2S governance by merging the PMG and RMSG, while excluding the CRG in this merger, as originally proposed by the ECB. Therefore, the PMG/RMSG will become the PMG, while the CRG remains unchanged. The CSG did, however, favour assigning the same chairperson to the PMG and CRG to facilitate efficiency. Concerning information security and cyber resilience related topics, the CSG agreed with the change of the ISSG to the Security Managers Group (SMG) as a technical group under the T2S Steering Level. The CSG furthermore agreed that the mandate of the new SMG needs to be formulated clearly, to reflect its responsibilities as a technical group. Concerning the reporting lines of the technical groups based on their mandate, the PMG and OMG report to the MIB whereas the CRG reports to the T2S Steering Level.

Marcello Topa asked whether there are plans for some of the SMG meetings to be held with the attendance of users, like in the past it was done for “ISSG+”. This has not been decided yet and will be considered after the new mandate of the SMG will be finalised.

ISO standards freeze - The ECB has requested an ISO message freeze between November 2020 and November 2023 as a consequence of the T2/T2S consolidation and the ECMS (European Collateral Management System). 4CB unable to use multiple ISO standards for both collateral and payment messages have only provided the option to freeze the ISO standards, until 2023 where an alternative can be provided. Kathy Waldie further mentioned that the CSDs are not happy with this measure, especially after having already gone through a long ISO freeze during the T2S migration period.

4.1.1. CSG Settlement Efficiency Workshop

NBB-SSS’ representative, Marc Lejoly, reminded the members of the DCPG that the information discussed on the first Settlement Efficiency workshop was threefold; NTS/RTS settlement rate on fixed

income vs equity, buy side vs sell side and impact on the on hold instructions. The second workshop on 29th November 2018 will focus its analysis on the below topics:

- ✓ Speed of resolution of fails transactions, taking into consideration the penalty mechanism.
- ✓ Late matching, matching after Intended Settlement Date (ISD), to evaluate the volumes to identify if the late matching is only an issue in Belgium or throughout the T2S community.
- ✓ NTS cycles, currently the two cycles run sequentially, the second immediately after the end of the first cycle that finish before 22:00. The workshop will evaluate a scenario where more cycles can included with partial settlement functionality.

The information is being prepared by 4CB to be presented in the workshop. He further informed that 4CB has included the Market Settlement Efficiency Indicator (MSEI), which comprises the “on-hold” instructions, in the latest version of the T2S Operations report.

Marc Lejoly also informed the DCPG members that a CSG Settlement Efficiency questionnaire was sent to the secretaries of the National Stakeholders Group (NSG), encouraging the CBs and CSDs to work with their national markets to deepen the analysis on settlement efficiency and fail reasons. He expressed that the Belgian market detected a degradation of the settlement efficiency in their market. The other CSD representatives in the conference call, Clearstream, Monte Titoli and Iberclear, indicated that they had discussed the questionnaire in their respective NSGs.

4.1.2. CSDR Taskforce update: T2S Penalty mechanism update,

Clearstream representative, Katharine Waldie, updated the members of the DCPG on the development of the T2S penalty mechanism with reference to the two Change Requests:

- ✓ CR-654 (Penalty mechanism) -
- ✓ CR-685 (T2S Penalty Mechanism for non-T2S settlement flows) - the scope is to provide T2S CSDs information on the defined non-T2S CSDs. The CR will require further discussions on how to proceed in the CSG meeting in February 2019.

These CRs are with 4CB undergoing a detailed assessments with plans to be available by 21 December 2018. The earliest implementation date for these CRs is November 2020 (T2S Release 4.2) instead of September 2020, constituting a two months gap from the expectations by the regulators and AMI-SeCo.

Kathy Waldie also informed that other open topics related to CSDR, such as the buy-in regime, were being discussed at ESMA. Concerning the CSDR, she mentioned that harmonisation throughout Europe is still not achieved but, there are requirements in the CSDR to have the same approach for all the CSDs in Europe.

4.2. Information from DCP

The Chairperson, Marcello Topa, indicated that no comments have been received from the DCPs on this agenda item.

5. Open Issues Register

The Chairperson debriefed the DCPG members on each individual open issue of the Register and suggested to take action on the current open issues as follows:

Close - A.15 Differences in the CSD communication notes concerning the T2S release deployments.

B.1 Settlement finality and Insolvency Procedures – Ask the CSDs to review the item and provide an updated deadline.

B.2 Settlement Discipline – “On-going”

B.5 Portfolio transfers. – “On-going” Harmonisation Steering Group discussions are going in the direction of establishing ad-hoc rules to allow T2S messages carrying this data.

B.17 CSDR Penalty Mechanism - “On-going”

B.18 Cyber Resilience Oversight - “On-going”

6. Any other business

Members of the DCPG did not raise any other issues.

7. Next steps: future DCPG meetings (suggested dates with CSG)

Due to time constraints, the Chairperson did not openly discuss the possible change in the organisation of the future DCPG meetings in conference call formats and some days after the CSG meeting, instead of having the meeting immediately after the end of the CSG meetings.

Nevertheless, please find below the dates, which could be subject to change, taken from the proposed dates for future CSG meetings and need to be approved by the CSG in their meeting on the 09/10 October 2018.

- ✓ *12-13 December 2018 (ECB)*
- ✓ *6-7 February 2019*
- ✓ *3-4 April 2019*
- ✓ *13-14 June 2019*
- ✓ *11-12 September 2019*

- ✓ *24-25 October 2019*
- ✓ *11-12 December 2019*