



EUROPEAN CENTRAL BANK

EUROSYSTEM

Status update on T2S Operations

December 2020

AMI-SeCo meeting, 02-03 December 2020

Frankfurt am Main

Current operational topics (I)

1. Penalty Mechanism dry-run:

Background: The CSG in its February 2020 meeting decided that it would be beneficial to use the interim period between November 2020 (T2S R4.2) and the originally planned entry into force of the CSDR settlement discipline regime on 1 February 2021, to plan dry runs of the penalty mechanism in production and requested the technical groups (PMG, OMG) to initiate the work.

Current situation:

- ESMA notification to [delay the entry into force of the CSDR settlement discipline regime until 1 February 2022](#) due to the impact of the COVID-19 pandemic on the implementation of regulatory projects and IT deliveries by CSDs and came as a request from the European Commission.

- Following the above, the OMG agreed on a [new dry-run plan for Q3 / Q4 2021](#):
 - *Preparation / configuration phase: 01 -14 September 2021;*
 - *Activation Date: 14 September 2021;*
 - *First daily penalty list report: 15 September 2021;*
 - *First monthly report: 20 October 2021;*
 - *Entry into force date (first business day when fails will imply a penalty that will be collected by the CSDs): 01 February 2022.*

Current operational topics (II)

2. Follow up of the May incident:

The OMG discussed in various rounds the post-mortem report for INC270812 which was then finally approved on 14 July 2020. The document has then been shared for information with the CSG and NECSG.

- A list of actions is included in the last section of the post-mortem in order to *i) prevent the reoccurrence of such incident in the future* and *ii) mitigate the impact in similar situations*. The main ones include:
 - **Improve** the ability of the **MOM algorithms** to cope with higher volumes in case of high concentration;
 - Enhance the ad-hoc consistency check with an additional **check on negative positions/balances**;
 - **Review of the system design and implementation of enhancements** to prevent negative positions/balances;
 - **Implementation of additional functionalities/tools** for the provision of missing messages;
 - Review of the **MOP templates for the extracted sese.025 information**. Inclusion of the templates and OMEGA-generated XML specifications in the CR Detailed Assessment to ensure they are up to date;
 - Organisation of regular **ORTs** or bilateral tests on the usage of the **templates/OMEGA-generated XML files**;
 - An OMG Task Force meeting took place on 30 September for the **review of the Crisis and Incident Management** procedures defined in the T2S MOP.

Current operational topics (III)

3. TARGET2 Incident on 11 August 2020 (INC276981)

On 11/08 TARGET2 experienced a Major incident, at 13:09 CET the system got disconnected from the network, becoming unreachable by 3CB and external users.

- The T2-T2S Connection was not available from 13:09 CET till 17:54 CET.
- The T2S Crisis Managers decided to postpone the EUR IDVP cut off three times.
- Due to the additional issue occurred in TARGET2 (Start of day took place only at 22:13 CET), the T2S Crisis Managers decided to postpone the start of the T2S NTS phase until 23:00 CET unless the liquidity arrived to T2S already prior to this point in time (T2S NTS to begin right after liquidity was received).
- T2S NTS finally started at 22:45 CET once the LTs from TARGET2 had been correctly received.
- The issue also led to an unavailability of the T2S test environments (EAC and UTEST).

Current operational topics (IV)

4. TARGET2 Incident on 23 October 2020

The T2S system was also adversely affected by this incident. While the settlement of securities transactions remained available, the transfer of liquidity from / to TARGET2 was not available for several hours. As a consequence, the closing of the system had to be postponed until 3:30 CET and the Night-Time Settlement phase only started at 6:05 CET on Saturday 24/10/2020.

- Impact on T2S test environments, which were not available for a number of days after the incident (delaying the OMG and PMG go/no-go decision for release 4.2). Priority was given on bringing back UTEST (28/10/20) over EAC due to release testing needs of R4.2.
- 4CB are reviewing the business continuity testing to mitigate the risk of having site/regional recoveries with side issues. Results reported by January 2020 (see existing AP 78-01).

Thank you for your attention!

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