

Outcome of the Change Review Group (CRG) meeting

15 December 2017

1. Introductory session

Outcome

The acting chairperson, Ignacio Terol, informed that the ECB Governing Council approved the TARGET2-T2S consolidation and Eurosystem Collateral Management System (ECMS) projects on 6 December 2017. Their planned go-live dates are November 2021 and November 2022 respectively. The implementation of the TARGET2-T2S consolidation, TARGET Instant Payment Settlement (TIPS) service and ECMS might require the involvement of the T2S governance bodies with regard to some Change Requests (CRs) on T2S.

The chairperson also provided a debriefing on the CSG discussion on some CRs on 29 November 2017:

- CR main cost drivers: The role of the CRG is to facilitate a better understanding of the main cost drivers associated with the implementation of a CR. Within this task, the CRG should also consider possible scope variations to the initial CR requirements with the objective of assessing alternative main cost drivers' scenarios. The views of the initiating governance forums, where relevant, would also be taken into account.
- CR-646 (Pre-formatted operational reports): The CSDs supported the alternative basic option as a way forward (i.e. continuation of today's manual reporting) during the CSG, while the Eurosystem NCBs favoured the CR646 in its current form. The T2S Market Infrastructure Board (MIB) will consider this at its meeting on 19 December.
- CR-654 (T2S Penalty Mechanism): By February 2018, the CSDs will provide the Eurosystem with an indication regarding their intention to use the T2S Penalty Mechanism; a final CSDs' decision is expected in April 2018. The approval process of the Regulatory Technical Standards (RTS) by the European authorities is still not finalised. At the same time, the relevant feedback the market is waiting from the European Securities and Markets Authority (ESMA) regarding the interpretation of some RTS is still under assessment by ESMA.

The rapporteur of the RMSG informed about the discussions during the Release Management RMSG meeting on 14 December 2017:

- CR-612: The RMSG was of the view that CR-612 should be part of T2S Release 3.0 (R3.0).
- CR-600 and CR-607: The RMSG invited the 4CB to initiate an update of the detailed assessment for the CR-600 and CR-607 without being bundled with CR-606 and CR-609, with a view on including them in the scope of R3.0 together with CR-612.
- CR-606 and CR-609: The RMSG proposed an allocation of these CRs to a release after R3.0, taking into account that it is technically important to have the CR-609 deployed at least one release earlier than the CR-654.
- Freed additional 4CB capacity for R3.0: The 4CB will provide RMSG and CRG by 19 December 2017, with a list of CRs potentially feasible for implementation in R3.0, and subject to their further detailed assessment.
- Discuss in a coming meeting about the potential allocation of the CR-606, CR-609 (and CR-614) and CR-654 to a future release in order to meet the latest dates indicated by the 4CB for initiating their detailed assessments.

2. CRG action points list

This item will be covered through a written procedure after the CRG meeting.

3. CRG work in the new Operational Governance Framework

This item was postponed for discussion in the CRG meeting on 25 January 2018

4. Analysis of change requests

4.1 Change requests approved for implementation

Change request T2S-0648-SYS (Enhancement of operational resilience in multi-currency context)

Outcome

The 4CB informed the CRG members that they updated the CR, which had already been approved for inclusion in the R2.0, in order to add the relevant timings for currency-dependent events for the Danish Krone. They might need to be fine-tuned during the user testing.

The CRG agreed to recommend the updated version of the CR to the T2S Steering Level for approval and inclusion in R2.0.

Follow-up action:

- The ECB team will seek the T2S Steering Level approval on the updated CR by early January 2018.

4.2 Detailed assessed change requests

Change Request T2S-0612-SYS (Alignment of T2S Messages with ISO Maintenance Releases 2013 – 2017)

Outcome

The CRG agreed to recommend to the T2S Steering Level the approval of the CR and its inclusion in the R3.0 baseline scope (standalone delivery option).

Some CRG members expressed a preference to not prune new message fields that have been included in an ISO Maintenance Release due to a T2S CR. This would avoid a double market adaptation of the relevant message schema (i.e. one for pruning of the relevant element in CR-612 and then a subsequent one for not pruning it during the relevant T2S CR implementation). 4CB highlighted that the resulting update of the detailed assessment is not feasible prior to the needed start of implementation work and saw some drawbacks of such an approach.

Follow-up action:

- The ECB team will seek the T2S Steering Level approval on the CR and its inclusion in R3.0 by early January 2018.
- The CRG members will provide the ECB team the list of fields that they consider should be unpruned in line with ISO Maintenance Releases 2013 – 2017 and the relevant T2S CRs for upcoming releases.
- Based on the CRG member's feedback, the 4CB will provide the CRG for the meeting in January 2018, with an assessment on the approach (pros/cons/risks) and the concrete fields (costs) that can be unpruned.

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 in an efficient and standard way)

Outcome

The CRG invited the 4CB to re-assess the detailed assessment of CR-600 with a view to implement it in R3.0 together with CR-612 and CR-607 but without CR-606 and CR-609.

Follow-up action:

- The 4CB to provide the CR-600 re-assessment to the CRG by 19 January 2018.

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) and T2S-0609-SYS¹

Outcome

The CRG kept the CRs on hold following the RMSG proposal to allocate them to a release after R3.0.

Follow-up action:

- None.

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)

Outcome

The CRG invited the 4CB to re-assess the detailed assessment of CR-607 with a view to implement it in R3.0 together with CR-612 and CR-600 but without CR-606 and CR-609.

Follow-up action:

- The 4CB to provide the CR-600 re-assessment to the CRG by 19 January 2018.

Change Request T2S-0654-SYS (T2S Penalty Mechanism)

Outcome

The CRG agreed that no further discussions will be held in the CRG on this CR until there is an indication from the CSDs regarding the usage of the T2S Penalty Mechanism (see introductory point). As a consequence the CRG agreed to keep the CRs on hold.

Follow-up action:

- None.

Change Request T2S-0614-SYS (Reason code FUTU (Instruction is awaiting the settlement date) should not be used for unmatched instructions)

Outcome

The CRG invited the 4CBs to consider some editing regarding some inconsistencies in the CR wording (page 2). The CRG kept the CR on hold as the CR is connected to CR-609 (i.e. they have functional, technical and testing synergies).

Follow-up action:

- The 4CB to provide the CRG with the updated CR by mid-January 2018.

¹ 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

4.3 Preliminarily assessed change requests

Change Request T2S-0543-SYS (Minimum amount for auto-collateralisation transactions)

Outcome

The CRG members were of the view that the CR should include the requirement that the minimum amount for auto-collateralisation instructions, as defined by the Central Banks (CBs) for the payment banks, should be different from the amount defined by payment banks for their clients. In addition, the CRG members were of the view that the intraday update requirement was not necessary. The CR initiator, i.e. the Deutsche Bundesbank on behalf of the German National Stakeholder Group (NSG) agreed to update the CR accordingly.

The CRG agreed that in case a payment bank holds different T2S dedicated cash accounts (DCA) in different CBs, each DCA will be subject to the minimum amount defined per party (i.e. under the respective CB).

Moreover the CRG accepted the limit defined by the 4CB that 25 to 30 updates of the minimum amount per day in total over all CBs and all parties will be possible (this total number includes all changes of the minimum amount for auto-coll. as well as for client coll).

The CRG agreed to recommend to the T2S Steering Level, the launch of the detailed assessment of the updated CR and invited the 4CB to check the feasibility to implement it in R3.0.

Follow-up action:

- The Deutsche Bundesbank will update the CR as per the CRG agreement by 22 December 2017.
- The ECB team will seek the T2S Steering Level decision on the launch of the CR detailed assessment by early January 2018.

Change Request T2S-0653-SYS (Partial release functionality)

Outcome

The 4CB presented the results of the preliminary assessment for CR-653 and clarified that due to the complexity of the CR, several working assumptions were taken into account during their assessment. Subject to the CRG member's confirmation on these working assumptions, the 4CB indicated that the cost would be either "High" or "Very High".

Follow-up action:

- The CRG members to provide the ECB team by 5 January 2018, their feedback on i) the 4CB working assumptions, ii) the 4CB questions, and iii) an indication of their interest in the CR,.
- Subject to the comments provided, the ECB team may organise a CRG teleconference in order to discuss the issue prior to the CRG meeting of January 2018 so that the CR may be matured in the interest of a possible detailed assessment for R3.0.

4.4 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 that the message bundling should be optional and based on the three same parameters for all participants (i.e. maximal number of messages, elapse time and deactivation period). The combination of the first two provides flexibility to accommodate the needs of participants with higher and lower number of messages. 4CB highlighted that the impact of the proposed values on platform stability and resource consumption will be assessed during PA and DA, potentially resulting in mandatory 4CB proposals.

The CRG members were of the view that the message bundling only has to be deactivated shortly around the DVP cut-off. Meanwhile, the real-time bundling shall not apply to messages related to the night-time settlement results, which are already bundled. The CR requestor, Euroclear, agreed to update the CR

accordingly. The CRG agreed to launch the preliminary assessment of the CR with these updates and to review the CR ranking once the preliminary assessment is available.

The CRG invited the 4CB to add the full list of messages that will be bundled and those that will not be in the CR during the preliminary assessment. The 4CB agreed to include what would happen if there were no messages generated during the defined elapsed time (i.e. currently 5 minutes). The preliminary assessment should also clarify to what extent the CR may affect the timeframe during which data inconsistency could occur in a Recovery After Disaster scenario. For a possible future update of any of these three parameters via a CR, the 4CB will also indicate how long it could take to update these parameters.

Follow-up action:

- Euroclear to provide the ECB team with an updated CR by 22 December 2017.
- The 4CB will provide the preliminary assessment results to the CRG by the end of February 2018.

Change Requests T2S-0668-SYS,² T2S-0669-SYS³ and T2S-0671-SYS⁴

These items were not discussed during the CRG meeting.

Change Request T2S-0672-SYS (Multiplex Editorial Change Request on UDFS and UHB)

Outcome

The CRG agreed to seek the CRG recommendation via a written procedure after the meeting.

Follow-up action:

- The CRG members will be invited to recommend the Steering level the CR approval in a written procedure until 21 December 2017.

Change Request T2S-0673-SYS (Multiplex Editorial Change Request on UDFS and UHB)

Outcome

The CRG invited the 4CB to update the wording of the CR regarding item 1 and to remove Item 2 as it refers to the addition of a new Business Rule that was missing in CR-515 (Allow instructions from CSD participants for n days after maturity date of security). The CRG also agreed that such update shall take place in the CR-515 and not in CR-673.

The CRG put the CR-673 on hold and until the updated version is made available to its members.

Follow-up action:

- The 4CB to provide the updated CR-673 and CR-515 by mid-January 2018.

Change Request T2S-0674-SYS (Common Reference Data Management for TIPS)

Outcome

The change request was presented by the 4CB and some CRG members raised questions regarding potential operational issues and high-level technical options related to the common modules to be introduced. Regarding the appropriate governance arrangements within which to discuss the CR, it was clarified that the CRG should focus on the “technical level” analysis.

The CRG agreed to recommend to the T2S Steering Level the launch of the detailed assessment and invited the 4CB to check the feasibility to implement it in R2.0, subject to the confirmation and comments during the CRG written procedure from 15 to 22 December 2017.

² (Provide the T2S reference of the linked instructions preventing settlement)

³ (Alignment of Flat files, DMT files and Securities Valuation flat files with ISO Maintenance Releases 2013 – 2017)

⁴ (Storage and reporting of the Beneficial Ownership indicator for Settlement Instructions in T2S)

Some CRG members requested that the software implementation of the CR should not be performed until the PMG has made a full risk assessment and confirmed in particular that no risk is created on T2S platform integrity.

Follow-up action:

- The ECB team will seek the T2S Steering Level decision on the launch of the CR detailed assessment by the early January 2018.
- CRG members to provide comments on the CR until 22 December 2017.
- Depending on the CRG members' comments, the ECB team may organise a CRG teleconference to discuss prior to the CRG meeting of January 2018.
- The ECB team will inform the PMG secretariat about the CRG member's request that the PMG is invited to discuss the CRDM (Common Reference Data Management) dependencies with T2S due to the go-live of TARGET Instant Payment Settlement (TIPS) in November 2018 and perform a risk assessment.

5. Analysis of topics referred to the CRG by the OMG

SDD-PBR-0022 "Long term solution for Matching Attributes in the Settlement Instruction Details screen" (PBI-201508)

This item was not discussed during the CRG meeting.

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

Outcome

The 4CB explained that a timeout of a U2A query may occur depending on several parameters (with multiple combinations and some on user side), and therefore no indicative figures in terms of thresholds can be provided. Some CRG members were of the view that the 4CB should give some indications on the volumes. The CRG did not reach a conclusion and asked the 4CB to include some indications.

Follow-up action:

- The 4CB will check whether they can provide the CRG members for the CRG meeting in January 2018, some indications on the volumes that could be handled by T2S without GUI timeout.
- The ECB team to invite the OMG to assess the opportunity of specifying the limitations of the T2S GUI in the Manual of Operational Procedures (MOP), notably in the part concerning the recovery after disaster (RAD) activities.

SDD-PBR-0032 (New business rule for instructions accepted before, but matched after a linked instruction has partially settled - PBI-202069)

This item was not discussed during the CRG meeting.

Maximum number of auto-collateral reimbursement instructions

Outcome

The CRG members were of the view that the CR-543 could minimise the number of situations when the system limitation of 2500 transactions could be breached.

Taking into account the clarifications provided by the 4CB, the CRG members considered that the 4CB functional solution envisaged in the operational procedure is acceptable. These clarifications on the defragmentation operational process were the following:

- Only those securities accounts with an excessive number of reverse collateral transactions with the same ISIN are affected by the defragmentation operational process.
- A settlement confirmation message (sese.025) is sent in real time for each reverse collateral transaction which is reimbursed during the defragmentation operational process.

Follow-up action:

- The ECB team will inform the OMG about the outcome of the CRG discussions.

Clarification note on PBI-201782 (Business User can instruct on account despite data scope reduction on Party level)**Outcome**

CRG members asked for additional time to review the clarification note.

Follow-up action:

- The CRG members are invited to provide the ECB Team with their feedback on the clarification note by 21 December 2017.

Back-to-back transactions in partial settlement – INC204308**Outcome**

The CRG members welcomed the 4CB proposal to give the optimisation process priority over the recycling process and considered it a good proposal to solve the issue of having a loop of partial settlements in back-to-back transactions.

The 4CB indicated that they will be able to implement the related change in R3.0 if required by the T2S Steering Level. The change would only impact the settlement domain.

Follow-up action:

- Clearstream will raise a CR in line with the 4CB proposal.

6. Any other business

Restriction rules defined for RECE and DELI instructions should not apply to ZERO instructions.

This item was postponed for discussion in the CRG meeting on 25 January 2018.