

Outcome of the Change Review Group (CRG) meeting

4 July 2018

1. Introductory session

Outcome

- The CRG chairperson welcomed the participants and introduced the new representatives of Banco de España (Mr Jose Peña), Citi (Ms Cinthia Chong), Iberclear (Mr Julian San Jose) and SIX Group (Mr Patrick Brandenberger).
- The chairperson confirmed that the new T2S Operational Governance Process Framework (OGPF) had become applicable on 19 June 2018. This means that the CRG will adapt fully from now on its tasks and procedures to the new OGPF. Within this context of change, the chairperson announced that the new CRG secretary will be Mr Olivier Leveque. The chairperson took the opportunity to thank Mr Alejandro del Campo for serving as secretary to the CRG since its establishment. Mr del Campo's contribution to the CRG work has been tremendous and indispensable to the success of the CRG and indirectly also to the success of T2S itself.
- The chairperson informed that the recommendations of the CRG on CR-613, CR-652, CR-653 and CR-676 had been endorsed by the CSG on 13-14 June 2018 and the MIB subsequently.

2. CRG action points list

Outcome

- T2SACTION-3534 - CRG members approved the proposal to update the UDFS via the next Editorial CR to include the list of exceptions where T2S does not check if a static data object to be deleted is referenced by another existing object. CRG members agreed to the closure of the action point
- T2SACTION-3468 - CRG members took note that, as the CSG was informed in June, the Eurosystem deemed necessary an ISO message freeze in TARGET Services (T2S, T2 and TIPS) in order to facilitate the testing of the T2/T2S consolidation and ECMS projects. ISO message versions would be upgraded to ISO Maintenance Release 2018-2019 in R4.2 (November 2020) and then frozen until R7.2 (November 2023). The ECB team informed that the details of the plan for the ISO upgrades plan would be further discussed in the next RMSG meeting (20 July 2018). CRG members agreed to close the action point.

Follow-up actions:

- ECB team to update the target resolution date of T2SACTION-3345 (Results of NFT on CR600, 606 and 609)
- CRG members to provide comments on the closure of action points to the ECB team [13 July 2018]

3. Updated change request workflow

Outcome

- The ECB team presented the CR workflows documenting the involvement of the CRG in the Change and Release management process in the updated OGPF.
- CRG members took note that by the term “CR authorisation” what is meant is that the T2S Steering Level approves that a CR becomes available for i) ranking by the CRG and subsequently ii) release allocation by the RMSG. For practical reasons, CRs already ranked in the past will be deemed as “authorised”.
- CRG members took note that if a CR needs to be amended after being authorised, the T2S Steering Level would need to confirm the availability of the amended CR for ranking and release allocation, upon a recommendation from the CRG.
- CRG members took note that in the updated OGPF, the detailed assessment of a CR is triggered when the RMSG proposes to include it in a release (i.e. after a CR has been authorised at T2S Steering level).

Follow-up action:

- ECB team to re-distribute the presentation made in the CRG, with necessary clarifications added, together with the note on CRG role and tasks which has already been shared with the CSG [6 July 2018]

4. Analysis of change requests

4.1 Already ranked/authorised change requests

Outcome (CR-384, CR-436, CR-530, CR-572, and CR-574)

- CRG members took note that, as agreed in the MIB, the detailed assessments of CRs to be implemented within the timeline of the ECMS realisation should be completed between mid-September to end November 2018, in order to provide stable ground for further system design (ECMS UDFS) and minimise the risk and costs of changes due to unverified assumptions.
- The likely implementation date of these CRs (CR-384, CR-436, CR-530, CR-572, CR-574) would be release 6.0 (June 2022) subject to the T2S release management process. The analysis related to implementation capacity, should be dealt with at T2S Steering Level and subject to further work within the T2S Financial Framework and the PMG/RMSG.
- Following the request for clarification of a central bank CRG member, 4CB confirmed that no impact on local central banks’ collateral management systems (CMSs) is envisaged, despite the delivery in production of these CRs in June 2022 (i.e. five months before the ECMS go-live).
- Danmarks Nationalbank highlighted that the ECMS-T2S integration should not alter or impact the availability of T2S functionality to non-Eurosystem Central Banks. Specifically, the ECB team and 4CB confirmed that non-Eurosystem Central Banks would not need to be connected to ECMS to upload securities valuation, eligibility and close links data.
- Considering the updates to the CRs presented during the meeting, CRG members agreed, subject to complementary actions detailed below per CR, to recommend that the T2S Steering Level confirms the availability of CR-384, CR-436, CR-530, CR-572, and CR-574 for release allocation (these CRs were already preliminary assessed and ranked).

Follow-up actions:

- ECB team to seek from the T2S Steering Level the confirmation that the updated CR-384, CR-436, CR-530, CR-572, and CR-574 should be available for release allocation following the completion of complementary actions detailed below per CR [20 July 2018]
- 4CB to indicate during the detailed assessment of these CRs if a switch mechanism is needed to allow for their activation only upon ECMS go-live (November 2022) despite their delivery in T2S in June 2022 [30 November 2018]

T2S-0384-SYS (A2A message to make securities ineligible for auto-collateralisation)

Outcome

CRG members agreed to invite the T2S Steering Level's confirmation regarding the availability of CR-384 for release allocation subject to the following actions:

- Rewording of "collateral provider" into "credit consumer" in the text of the CR, for UDFS consistency
- Update of the CR to reflect the two implementation options identified regarding the storage of the information that certain securities are ineligible for auto-collateralisation. The choice between these alternatives will be analysed by the 4CB prior to the detailed assessment of the change request.

Follow-up action:

- ECB team to update CR-384 as described above [5 July 2018]

T2S-0436-URD (Client-collateralisation: allow payment banks to set up their own list of close links)**Outcome**

CRG members agreed to invite the T2S Steering Level's confirmation regarding the availability of CR-436 for release allocation subject to the following actions:

- Rewording of "collateral provider" into "credit consumer" in the text of the CR, for UDFS consistency

Follow-up actions:

- ECB team to update CR-436 as described above [5 July 2018]
- 4CB to clarify during the detailed assessment of CR-436 the amendment needed to URD table 16-25 (List of attributes for the close link) [30 November 2018]

T2S-0530-URD (One close link database for Eurosystem NCBs and separate database per non-EUR currency)**Outcome**

CRG members agreed to invite the T2S Steering Level's confirmation regarding the availability of CR-530 for release allocation subject to the following actions:

- Rewording of "collateral provider" into "credit consumer" in the text of the CR, for UDFS consistency

Follow-up action:

- ECB team to update CR-530 as described above [5 July 2018]

T2S-0572-SYS (A2A message to remove close links)**Outcome**

CRG members agreed to invite the T2S Steering Level's confirmation regarding the availability of CR-572 for release allocation.

T2S-0574-URD (Applying additional haircuts to own-used assets in T2S auto-collateralisation)**Outcome**

CRG members agreed to invite the T2S Steering Level's confirmation regarding the availability of CR-574 for release allocation subject to the following actions:

- Rewording of "collateral provider" into "credit consumer" in the text of the CR, for UDFS consistency
- Confirmation whether there is a business case for payment banks to accept own-used assets as collateral
- Confirmation that the proposed rules for selecting valuation 2 (additional haircut) when valuation 1 (normal haircut) is not provided are consistent with the relevant ECB documentation on the implementation of monetary policy, or if a different rule could be considered.

Follow-up actions:

- CRG members to confirm whether there is a business case for payment banks to accept own-used assets as collateral and provide any additional comments on the updates to CR-574 [6 July 2018]
- ECB team to confirm the description of the valuation selection rules [13 July 2018]

4.2 Preliminary assessed CRs

T2S-0668-SYS (Provide T2S reference of the linked instruction preventing settlement)

Outcome

CRG members agreed to recommend to the T2S Steering Level the authorisation of CR-668, subject to the following action:

- Update of the CR to populate the references of linked instructions in repetitions of the Reason block of relevant messages, instead of the element 'Additional reason information', with a limit to the number of reasons

Follow-up actions:

- Euroclear to update CR-668 as described above [13 July 2018]
- ECB team to seek from the T2S Steering Level the authorisation of CR-668 following the update of the CR [20 July 2018]
- 4CB to investigate during the detailed assessment of the CR, based on production data, the frequency of cases where the chain of instructions preventing the settlement of an instruction has more than five links, in order to identify the most pertinent limit taking also performance into consideration

T2S-0677-SYS (During partial settlement windows, recycling should only be triggered after an optimization attempt)

Outcome

CRG members agreed to recommend to the T2S Steering Level the authorisation of CR-677

Follow-up action:

- ECB team to seek from the T2S Steering Level the authorisation of CR-677 [20 July 2018]

4.3 Other CRs

T2S-0678-SYS (Financial Instrument Short Name FISN validations should be compliant with the latest ISO18774 standard)

Outcome

Clearstream introduced the new CR to the CRG members presenting the underlying business rationale. 4CB indicated that, while the CR foresees different validation rules for the FISN of securities that are collective investment vehicles or derivatives, T2S does not store this information. CRG members agreed that the preliminary assessment of the CR could not be launched until it is clarified in the CR if T2S should make this difference and how.

Follow-up action:

- Clearstream to clarify in the CR if the financial instrument short name should always be allowed to have more than 15 characters (and not only for collective investment vehicles and derivatives) [27 August 2018]

T2S-0679-SYS (Implementation of thresholds in standing liquidity transfer orders)

Outcome

Banque de France introduced the new CR to the CRG members presenting the underlying business rationale. CRG members agreed to launch the preliminary assessment of CR-679 subject to the following action:

- Update of the CR to clarify that the ability to set a minimum threshold is not required for liquidity transfers pertaining to the multi-liquidity provider functionality of T2S

Follow-up actions:

- Banque de France to update CR-679 as described above [6 July 2018]

- 4CB to provide the delivery date of the preliminary assessment of CR-679 [13 July 2018]

T2S-0680-SYS (T2S should allow ECMS to receive flat file statement of holdings, transactions and pending instructions at the level of securities accounts)

Outcome

- CRG members were of the view that the scope of the CR could be extended to allow flat file reports to be generated at the level of securities accounts (SAC) for all SACs, and not only for those SACs used to hold ECMS collateral.
- A CRG member suggested that it may be possible to achieve the configuration of reports only for a subset of Securities Accounts of a specific party through the use of cross-entity privileges. CRG members invited the 4CB to check during the preliminary assessment of the CR if such a possibility had already been investigated during the elaboration of the CR.
- A CRG member suggested, as an alternative option for minimising changes to T2S, that ECMS collateral could be held on accounts of new parties which would be dedicated to that purpose. CRG members agreed to request the ECMS project team to investigate this option.

Follow-up actions:

- 4CB to analyse if it is possible to extend the scope of the CR beyond ECMS SACs and document explicitly in the CR that the reports produced for ECMS accounts would be under the access rights control of the CSDs in which the underlying SACs are opened [9 July 2018]
- CRG members to agree on the launch of the preliminary assessment of CR-680 via written procedure [13 July 2018]
- ECB team to investigate the alternative implementation option based on dedicated parties and provide feedback in the next CRG meeting [4 September 2018]

T2S-0681-SYS (T2S should allow updates of securities data with an issue date lower than current date)

Outcome

- CRG members agreed to launch the preliminary assessment of CR-681

Follow-up action:

- 4CB to provide the delivery date of the preliminary assessment of CR-681 [13 July 2018]

5. Settlement Transaction age in optimisation algorithms

Outcome

- The ECB team reported on the outcome of the CSDR TF discussion regarding the transaction age in T2S optimisation algorithms
- CRG members took note that the majority of the CSDR TF was of the view that the current design of T2S regarding management of transaction age did not breach any CSDR regulatory requirement.
- In addition, and despite the fact that the cases of impacted T2S transactions seem to be very rare, the CSDR TF agreed to raise a CR in order to get a high level estimate of the costs and impacts of changing the T2S design in order to ensure that oldest instructions settle first to avoid the management of buy-ins by T2S actors.

Follow-up action:

- ECB team to distribute to CRG members the written outcome of the CSDR TF meeting [6 July 2018]

6. Analysis of operational topics referred to the CRG

6.1 4CB clarification notes to the CRG

CRG-PBR-0007 (Applicability of restriction rules to payment free-of-delivery (PFoD) Settlement Instructions when the restriction rule parameter for the securities movement Type is zero – INC219983)

CRG-PBR-0011 (Update business rules related to the default cash account in a Settlement Instruction to refer to the intended settlement date and the current business day – INC225073)

CRG-PBR-0012 (Settlement eligibility principles for instructions linked AFTER and scope of business rule SPST032 – INC228126)

Outcome

- CRG members agreed to the editorial change proposed in CRG-PBR-0007, subject to the enhancement of the new footnotes on pages 46 and 302 of the UDFS 3.0 (i.e. clarify that case 1 rules that refer to DELI/RECE would apply to both SIs with quantities higher than 0 and also to PFoDs)
- CRG members agreed to the editorial changes proposed in CRG-PBR-0011 and CRG-PBR-0012.

Follow-up action:

- 4CB to include the changes in the next editorial CR [27 August 2018]

7. Any other business

Presentation on the need to align DMT tool and flat file reports in T2S

Outcome

- The ECB team presented the principle stated in the UDFS (for flat files) and agreed in the T2S governance (for DMT tool), according to which flat file reports and the DMT tool should be kept updated for consistency with the relevant ISO20022-compliant messages, to avoid operational issues and ensure their immediate readiness in case they need to be used in the future.
- CRG members agreed to the earlier recommendation of the OMG and PMG, namely to systematically follow the like-for-like approach for the DMT tool and the flat file specifications, considering that the updates to the DMT tool should in principle incur only minor costs.

Follow-up action:

- ECB team to inform the OMG of the CRG outcome [25 July 2018]

Planning of SDD updates for Release 3.2

Outcome

- CRG members took note of the timeline for the publication of the SDD updates related to R3.2

7.1 CRG meeting dates

Outcome

- The ECB team informed that the next meeting would be on 4 September.
- In addition, a CRG teleconference will probably be needed end-September, focusing mostly on CSDR-related topics.

List of attendees

Participant's organisation

European Central Bank

European Central Bank

Name of participant

Mr George Kalogeropoulos

Mr Olivier Leveque

Chairperson

Secretary

Members

| | |
|-------------------------------|-----------------------|
| 4CB | Mr Arno Friederich |
| 4CB | Ms Mariana Shkurtova |
| Banca d'Italia | Mr Michele Zaccagnino |
| Banco de España | Mr Jose Peña |
| Bank of Greece | Mr Yorgos Korfiatis |
| Banque centrale du Luxembourg | Mr Alexandre Briand |
| Banque de France | Ms Rachel Mandeng |
| Banque Nationale de Belgique | Mr Koen Geenen |

Members (continued)

| | |
|-----------------------|--------------------------|
| Danmarks Nationalbank | Mr Frederik Jorst |
| Deutsche Bundesbank | Ms Melanie Gulden-Jesse |
| Clearstream | Mr Markus Stock |
| Euroclear | Mr Dan Toledano |
| Iberclear | Mr Julian San Jose |
| Interbolsa | Mr Rúben Azevedo |
| Monte Titoli | Mr Umberto Granata |
| Nasdaq CSD | Mr Mindaugas Juzenas |
| SIX Group | Mr Patrick Brandenberger |
| VP SECURITIES | Mr Thomas Bo Christensen |

Observers

| | |
|---------------------------------|--------------------|
| ABN AMRO Clearing | Mr Ton van Andel |
| BNP Paribas Securities Services | Mr Giorgio Ferraro |
| Citi | Ms Cinthia Chong |
| Deutsche Bank AG | Ms Britta Woernle |
| LCH SA | Mr Pierre Peczi |

Other participants

| | |
|-----------------------|---------------------------|
| Iberclear | Ms Pilar Sanchez |
| Nasdaq CSD | Ms Jolanta Drublioniene |
| VP SECURITIES | Ms Susanne Hass |
| European Central Bank | Mr Remy Al Sbinati |
| European Central Bank | Mr Alejandro del Campo |
| European Central Bank | Mr Javier Martínez Romero |
| European Central Bank | Mr Miguel Tahoces |
| 4CB | Mr Dirk Beiermann |
| 4CB | Mr Victorien Goldscheider |
| 4CB | Ms Wilma Jagomast |

4CB

Mr Ruben Rubio

4CB

Mr Alessio Sarcinelli

4CB

Ms Maria Vila

4CB

Ms Anke Wagner-Gluth