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Outcome of the T2S Change Review Group (CRG) Meeting

18 November 2020, from 10:00 to 16:00 CET (held remotely)

0. Introductory remarks and approval of the agenda

Background documentation

- CRG meeting 17 September 2020 – Final outcome [5/11]
- CRG telco 1 October 2020 – Final outcome [5/11]
- Workshop on T2S demand and capacity 2021-2023 - Executive summary [12/11]

Outcome

The CRG chairperson, Karen Birkel, welcomed the participants and introduced the meeting, held remotely due to COVID-19 precautionary measures.

The chairperson thanked Luca Rissolo, CRG member of Banca d'Italia, for his contribution to the work of the CRG, and welcomed his successor Michele Zaccagnino as well as his alternate Michele Ranieri.

The CRG members took note that the T2S Steering Level (CSG/NECSG) had agreed to keep the CR implementation capacity stable for the period 2021-2023 (8.2 million EUR per year), and also took note of the executive summary of the workshop on T2S demand and capacity 2021-2023, summarising the implementation priorities of the T2S Steering Level.

The CRG members approved the agenda of the meeting, as well as the outcomes of the CRG meeting on 17 September 2020 and of the CRG teleconference on 1 October 2020.

1. CRG action points

Background documentation

- List of CRG action points [12/11]

Outcome

The ECB team provided an update on the status of open CRG action points. CRG members took note, in particular, of the following:

- *AP-4001 (Euroclear/Iberclear to gather relevant info for the preliminary assessment of CR-739): Euroclear indicated that while some cases had been previously reported to the T2S Service Desk, identifying new cases relevant to CR-739 proved difficult. However, efforts continue to collect examples from Euroclear and Iberclear communities, and if information becomes available it will be provided to 4CB for analysis. The CRG agreed to keep the action point open.*
- *AP-4005 (ECB to distribute the final version of the revised CRG mandate): CRG members took note that the CSG approved the updated CRG mandate, with only minor edits compared to the last version presented to the*

CRG. The final version will be distributed to CRG members once the MIB approves the mandate updates for all T2S technical groups (expected 19 November 2020).

- AP-4008 (4CB to report on the progress of the further investigation of the multi-criteria optimisation functionality of the NTS solver): CRG members took note that the investigation was ongoing and that an implementation date could not be foreseen at this point. CRG members agreed to change the due date (i.e. next status update) for AP-4008 to 24 March 2021.

Follow-up actions:

- CRG members to confirm the closure of action points proposed for closure [25 November 2020]

2. Analysis of change requests

2.1 Change requests under implementation

Background documentation

- T2S-0383-URD (Possibility of submitting already matched cross-CSD settlement instructions) [11/11]
- T2S-0383-URD – 4CB Presentation on message subscriptions [11/11]
- T2S-0654-URD (T2S Penalty Mechanism) - Updated annex 1 on activation process [5/11]
- T2S-0680-SYS (T2S should allow ECMS to receive flat file statement of holdings, transactions and pending instructions at the level of securities accounts) [5/11]
- T2S-0705-SYS (CRDM Business Interface Impact on T2S) (including 3 Annexes) [16/11]

Outcome

T2S-0383-URD (Possibility of submitting already matched cross-CSD settlement instructions)

The CRG took note that, following the implementation of CR-383, CSDs and their participants which are currently using negative subscription rules on already matched instructions to avoid duplicate status updates, need to re-assess these subscription rules. Otherwise, the current rules, applied to a cross-CSD already matched scenario, could result in the CSD/CSD participant not receiving any status update for some instructions.

In addition, the 4CB informed CRG members that an adjustment to the UHB proposal for CR-383 would be submitted for the CRG to review.

Follow-up actions:

- CRG to review the UHB adjustment to CR-383 [25 November 2020]
- ECB to share the background document 'T2S-0383-URD – 4CB Presentation on message subscriptions' with the OMG for information [3 December 2020]

T2S-0654-URD (T2S Penalty Mechanism) - Updated annex 1 on activation process

The CRG took note of the approach agreed in the other T2S technical groups (OMG and PMG) for the testing and activation of the T2S Penalty mechanism. Considering that this approach entails that testing of CR-654 will continue in 2021 and that the dry run, initially planned end 2020, would start in September 2021 instead, the CRG members confirmed that the new dates should be reflected in Annex 1 of CR-654. The chairperson highlighted that the PMG had agreed on a way to monitor the testing of CRs and PBIs related to the penalty mechanism after the deployment of release 4.2 to PROD. The ECB team clarified that during the dry run, T2S will compute penalties in PROD and produce the related reports, but CSDs will not collect these penalties.

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

The CRG took note that the CSG had agreed to waive transmission fees for the flat file reports introduced by CR-680 (semf.E02, semf.E17, semf.E18), and agreed to update the CR accordingly. Considering that SDD updates for CR-680 were expected end November 2020, the CRG agreed to seek the view of other technical groups on the updated CR-680 only after the CRG reviews these additional updates.

Follow-up actions:

- ECB to inform the other T2S technical groups of the updated version of CR-680 [7 December 2020]

T2S-0705-SYS (CRDM Business Interface Impact on T2S) (including 3 Annexes)

The CRG took note of the proposed wording of T2S documentation for CR-705, and asked for additional time to review the CR and related annexes (GFS, UHB and UDFS updates).

The CRG also took note that message changes from CR-705 would be specified by May 2021 and that further wording updates would be provided in September 2021.

Follow-up actions:

- CRG to review the proposed wording of T2S documentation for CR-705 [25 November 2020]
- ECB to inform the other technical groups of the updates to CR-705 [26 November 2020]

2.2 Change requests not yet authorised at T2S Steering Level

2.2.1 Change requests under preliminary assessment

Background documentation

- T2S-0737-URD (Conversion of annual into daily rate for the application of the Cash Discount Penalty Rate) [5/11]
- 4CB presentation on preliminary assessment for T2S-0737-URD [5/11]

Outcome

The CRG took note of the results of the preliminary assessment of CR-737. Considering the estimated costs of the CR, as well as the complexities expected to arise when the daily rate is replaced by an annual one (especially if penalties were already calculated), the ECB as CR initiator withdrew CR-737.

Follow-up actions:

- ECB to inform the CSDR task force and OMG of the withdrawal of CR-737 [4 December 2020]

2.2.2 Candidates for preliminary assessment / Newly raised CRs

Background documentation

T2S-0748-URD (Dedicated list of Central Counterparties (CCPs) to identify and flag CCPs in the penalty reports generated by T2S) [12/11]

T2S-0749-URD - Second Multiplex Editorial Change Request for R5.0 [13/11]

Outcome

T2S-0748-URD (Dedicated list of Central Counterparties (CCPs) to identify and flag CCPs in the penalty reports generated by T2S)

The CRG took note of the request of the CSDR Task Force (CR initiator) to fast track CR-748. Considering the regulatory background of the CR, the CRG agreed not to request a preliminary assessment of the CR. CRG members agreed that the requirements of CR-748 were stable and complete and recommended the CR for authorisation by the T2S Steering Level.

The CRG agreed to document the value of the parameters for CR-748 as follows:

- *Legal/business importance: High because it facilitates compliance with CSDR requirements for T2S CSDs and also for CCPs.*
- *Market implementation efforts: Low because it does not require extra adaptations from T2S CSDs and their participants*
- *Operational/technical risk: Low because it would have no impact on existing SLAs and limited impact on operational processes.*
- *Financial impact parameter: To be provided when CR-748 is detailed assessed*

Follow-up actions

- *ECB to inform the PMG that a detailed assessment of CR-748 would be proposed, following a fast-track procedure [19 November 2020]*
- *CRG members to provide business values for CR-748 [25 November 2020]*

T2S-0749-URD - Second Multiplex Editorial Change Request for R5.0 [13/11]

The CRG took note of the editorial CR-749, and requested more time to review it before making a recommendation to the T2S Steering level on its authorisation and the inclusion of the underlying editorial updates in the T2S documentation for release 5.0.

4CB informed that a slightly updated version of the CR would be made available shortly after the CRG meeting for the CRG review.

Follow-up actions:

- *CRG to review CR-749 and provide its recommendation to the T2S Steering level on authorising the CR [25 November 2020]*

3. Finalisation of CRG ranking

Background documentation

- Updated CRG ranking [5/11]
- 4CB proposal to the PMG on the next batches of detailed assessments for R6.0 [12/11]
- Review of CR candidates for R6.0 (stability and completeness of requirements [13/11]
- T2S-0557-SYS (Skip validations on minimum settlement unit (MSU) and settlement unit multiple (SUM) for settlement instructions related to Market Claims and Transformations) [13/11]
- T2S-0611-SYS (Cash Account Postings GUI Screen to include the T2S Actor References) [13/11]
- T2S-0620-SYS (Allow CSDs to query for all positions in a given security via T2S GUI) [13/11]

Outcome

Updated CRG ranking

The CRG took note of the updates to the ranking of change requests resulting from the latest provision of business values by CRG members. Some CRG members requested during the meeting that their business values for some CRs (CR-557¹, CR-733², CR-746³ and CR-747⁴) be updated/included in the computation on average business values.

¹ CR-557 (Skip validations on minimum settlement unit (MSU) and settlement unit multiple (SUM) for settlement instructions related to Market Claims and Transformations)

² CR-733 (Definition of a classification of transactions for CB T2S data)

³ CR-746 (Mitigation measures for missing partial settlements and new COLGEN and AID tools for the T2S Operator)

⁴ CR-747 (NTS cash contingency cases management - new CASHGEN tool)

In addition, 4CB highlighted that from the technical perspective there are no synergies between the CR-0733 and CR-0699 and recommend the implementation of CR-0733 in a later release, e.g. R7.0, as no resources are foreseen for additional DWH developments in 2021. The CRG agreed to insert a comment to the PMG to highlight that the CR-733 has synergies with CR-699⁵ from the business point of view, so that an allocation of CR-733 to R6.0 should be envisaged, if technically feasible.

Follow-up actions:

- ECB to provide an updated version of the ranking taking into account modified/added business values, as well as a comment on CR-733 [18 November 2020]
- ECB to inform the PMG of the updated CRG ranking and publish it [19 November 2020]

4CB proposal to the PMG on the next batches of detailed assessments for R6.0

The CRG took note of the list of seven CRs⁶ identified by the 4CB as potential candidates for T2S release 6.0. The CRG members confirmed that, should the PMG indeed propose to launch the detailed assessments of these CRs in view of R6.0, the baseline scope of R6.0 would adequately reflect the implementation priorities of the CRG.

Review of CR candidates for R6.0 (stability and completeness of requirements)

As a result of the CR-557, the MSU and SUM validations will be skipped on instructions with transaction types CLAI and TRAN. A CRG member pointed out, for CRG members' awareness, that while the usage of transaction type 'CLAI' is controlled by T2S privileges, this is not the case for the transaction type 'TRAN' – i.e. technically, any instructing party could skip MSU/SUM validations by instructing with transaction type 'TRAN'.

The CRG confirmed that the requirements of CR-557, CR-611 and CR-620 were stable and complete, and recommended them for authorisation by the T2S Steering Level. The CRG members agreed to justify the CR parameters as follows.

CR-557

- *Legal/business importance: High because the CR would offer an operationally efficient and harmonised solution for cases where existing SUM and MSU rules don't fit the market claims/transformations business scenarios.*
- *Market implementation efforts: Low because no adaptation is needed for users.*
- *Operational/technical risk: Low as the CR only requires the adjusting existing business rules to apply to two additional transaction codes.*
- *Financial impact parameter: Low based on the following scale: Low < 100kEUR < Medium < 500kEUR < High.*

CR-611

- *Legal/business importance: Medium because the CR would bring a significant operational improvement compared to other solutions put in place in the interim.*
- *Market implementation efforts: Low because limited adaptation is needed for T2S users - those receiving camt.006 today must be able to receive an additional message element.*
- *Operational/technical risk: Low as the CR is not affecting operationally critical processes, and subject to confirmation of the absence of performance impacts.*

⁵ CR-699 (Decommissioning LTSI, scope and definition of queries and reports and access specifications to Data Warehouse functionalities)

⁶ CR-557 (Skip validations on minimum settlement unit (MSU) and settlement unit multiple (SUM) for settlement instructions related to Market Claims and Transformations), CR-611 (Cash Account Postings GUI Screen to include the T2S Actor References), CR-620 (Allow CSDs to query for all positions in a given security via T2S GUI), CR-720 (Optional inbound liquidity transfer in case of negative NCB account balance at liquidity cut-off), CR-726 (No redundant status update on instructions pending due to counterparty hold), CR-741 (Enable settlement of custody-related settlement restrictions in NTS Sequence 1), CR-742 (Enable PFOD for external CSD settlement)

- *Financial impact parameter: Medium based on the following scale: Low < 100kEUR < Medium < 500kEUR < High*

CR-620

- *Legal/business importance: High because CSDs would need this functionality in the context of their core responsibilities (ensure the integrity of a security issuance)*
- *Market implementation efforts: Low because no adaptation is needed from T2S users*
- *Operational/technical risk: Low as the CR is not affecting operationally critical T2S processes, and subject to confirmation of the absence of performance impacts*
- *Financial impact parameter: Medium based on the following scale: Low < 100kEUR < Medium < 500kEUR < High*

4. Clarification notes

Background documentation

- T2S_ICN_0005 (Impact of TIPS CR 33 on T2S) [5/11]

Outcome

The CRG took note that it was envisaged to deploy TIPS CR-33 to the production environments in November 2021, coinciding with T2S R5.2. Based on the information provided in the note, the CRG took note that the impact of TIPS CR-33 for T2S users would be limited to a minor update of three message specifications (acmt.007, acmt.025, acmt.026) when T2S adopts ESMIG in R6.0, coming in addition to the changes already planned on those messages in R6.0.

The CRG concluded that from a functional perspective, the impact of the deployment of TIPS CR-33 at the same time as T2S R5.2 was acceptable.

Follow-up actions:

- *ECB to inform the PMG of the CRG conclusion on T2S_ICN_0005 [19 November 2020]*

5. Any other business

Background documentation

- Updated timeline for SDD updates of R6.0 [5/11]

Outcome

The CRG took note of the updated timing for the review of T2S documentation for R6.0, whereby the draft scope defining documents would be published on 15 December 2021 instead of 27 January 2022, while binding XSDs would remain published on 25 January 2022 as originally planned.

5.1 CRG meeting dates

The following CRG meetings are planned in 2021 (to be confirmed at least 4 weeks in advance).

19 January 2021	10:00-16:00	Webex
24 March 2021	10:00-16:00	Webex
25 May 2021	10:00-16:00	Webex
7 July 2021	10:00-16:00	Webex
10 September 2021	10:00-16:00	Webex
9 November 2021	09:30-17:30	ECB Main building

Outcome

The CRG took note that until the end of May 2021, meetings would be held by WebEx due to COVID-19 precautionary measures.