

Market consultation feedback on T2S user requirements and annexes

Feedback on T2S User Requirements and Annexes

submitted by

HELLENIC BANK ASSOCIATION							
Nbr	Chapter/ Annex nbr	Page	Line	Topic	Comments	Suggested drafting change	Confidential Y/N
					As a general comment it should be stressed that there is a need for more coherence regarding different parts of the consultation document (there are several contradictions). Moreover we would like to notice that where we have not commented on a given chapter, annex or issue it is to be assumed that the HBA is in general agreement with the contents and/or the chapter doesn't raise particular issues for greek banks.		No
1	Chapter 1				The chapter presents the principles established by the ECB Governing Council to define T2S Users Requirements, thus the issues identified here are further developed in subsequent relevant chapters and annexes where our answer is provided.		No
2	Chapter 1			Governance	Banks and other Intermediaries must be represented in the Governance structure.		No
3	Chapter 1			Legal entity	The chapter does not comment on who owns the platform and under which condition or arrangement. Clarification of legal entity operating T2S is required.		No
4	Chapter 1			Change management	How will change management process work during development phase to capture any market changes?		No
5	Chapter 2			T2S stakeholders	The approach proposed in the stakeholders diagram has the disadvantage not to be very explicit on the role of banks.		No
6	Chapter 2			Definitions	T2S Party definition unclear		No
7	Chapter 2			Definitions	Clearer definition required for dedicated cash account		No
8	Chapter 2			Sec Lending	T2S role regarding securities lending and fails coverage unclear		No
9	Chapter 2			Process flow	Full process flow diagram detailing end to end txn flow required		No
10	Chapter 3			Night-time settlement	The exact number of night-time cycles and their duration must be further defined.		No
11	Chapter 3			Schedule	Night time settlement should be mandated for all users		No
12	Chapter 3			Fails management within the T2S deadlines	Currently in Greece fails management can be serviced only through CSD		No
13	Chapter 4			Roles requirements	The role of T2S actors must be further clarified preserving the 'level playing field' principle.		No
14	Chapter 4			Roles Requirements	Ideally CSD should allow users to have direct access. There should be a standard application process across the T2S CSDs		No
15	Chapter 5			Matching Process	The Matching Process will be providing the "status" of the instructions as "matched" or "unmatched". It will also provide relevant information to the T2S parties. It is not clear in the document whether the information/reason for mismatch will be ISO compliant, as is FBE's view. Generally, it will be ECSDA rules compliant, including the tolerance matching rules for Amounts. In addition, "allegement messages" will be dispatched when counter-party instructions are missing. When counter-party instructions arrive a removal of the allegation message will be sent.		No
16	Chapter 5			Matching Process	An instruction on hold status passed settlement date is considered a fail. No "cut-offs" for the Hold/Release maintenance instructions are mentioned in the relevant chapter of the document.		No
17	Chapter 5			Matching Process	Compatibility of Matching rules between a CSD and T2S when matching takes place at CSD		No
18	Chapter 5			Matching Process	For the Hellenic CSD, it will be required either a re-engineering of the current matching process at the HCSD level or an incorporation of the Greek market "shifting/transfer/split/allocation – end investor" process and data at the T2S level. The T2S transactions generated from a simulation of the Direct Holding Matching Process of the HCSD will result in numerous T2S instructions, which will make T2S for the Greek Market unevenly expensive to the non-direct holding markets. Also, in absolute terms, it is most likely that the "Greek Process" under T2S will be more expensive than under the current CSD situation. This is because the resulting, relatively many, T2S transactions are currently estimated to be charged at 0.29 euros/transaction (not including SWIFT/communication costs) while the today's process (shifts/transfers/allocations/splits) is done at no expense to the custodians. We anticipate that this extra T2S cost will be passed to the Banks through the HCSD.		No
19	Chapter 5			Matching Process	Cross CSD matching at T2S level will require holidays calendar harmonization, which is an unresolved issue in the Greek Market and requires political decision making.		No

20	Chapter 6	4	5	Cash account structure for T2S and typology of cash transactions allowed in T2S	T2S cash settlement shall only hit T2 dedicated cash accounts. It is important not to merge any settlement results of T2S and allowing therefore [as well as] the overnight process of settlement. With the use of dedicated cash accounts, the RTGS accounts will be impacted at the end of the settlement day on a mandatory basis or during the day on an optional basis (optional sweeps). Transfers of liquidity between dedicated cash accounts and RTGS account may nevertheless occur at any time of the day at the hand of the treasurer. An overall vision of the liquidity on all type of accounts should be provided by the system. In addition, as far as the night time settlement is concerned, the potentially huge number of securities settlements should not create constraints on the management of the RTGS accounts. The DVP process based on dedicated cash account without any transfers from or to RTGS account during the night will prevent any liquidity impacts on T2 Cash environment (except liquidity transfer at Day - 1 19h30).		No
21					Moreover, we think that introducing a dependency between the two kinds of cash accounts, and therefore between the two settlement engines, will create operational risks with the potential that a malfunction occurring initially on one of the two engines spills over on to the other. Therefore, the separation and segregation of cash accounts seems necessary in order to limit the operational risks. Ok with the fact that T2S dedicated accounts shall be able to ensure cash settlements in central bank money in Euro as well as in any other T2S eligible currency.		No
22	Chapter 6	7	5	Typology of transactions settling on T2S dedicated cash accounts	T2S shall settle the cash leg of all T2S settlement instructions and shall allow the paying agents on behalf of the issuers to settle the cash leg of a corporate event. To the contrary, T2S shall not settle clean payments (pure money transfer activity) as it is not a payment system and every transaction falling into this category should be processed through the regular RTGS cash accounts.		No
23	Chapter 6			CCBM2	How wil CCBM2 impact T2S?		No
24	Chapter 7			Settlement Processing Requirements	Transactions with the oldest settlement date should not necessarily be favored for optimisation and be defaulted as priority. T2S should also consider the settlement amount as a top priority identifier and not only the settlement date.		No
25	Chapter 7			Settlement Processing Requirements	Taking into consideration additional parameters like trade type, quantity of securities and amount during prioritisation and sequencing, T2S should ensure that these parameters are also implemented during optimisation.		No
26	Chapter 7			Settlement Processing Requirements	Currently the Greek market does not have high-time settlement, as it's not needed. The Hellenic Depository needs to clarify whether it will or will not participate and whether users will have the option to use this functionality or not.		No
27	Chapter 7			Settlement Processing Requirements	The Greek market does not support partial settlement for the time being		No

