

T2S PROGRAMME OFFICE

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v1.2

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Summary

Meeting of the Change Review Group (CRG)

28 February 2017, from 09:30 to 17:30

held at European Central Bank

1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants.

The Chairperson informed the CRG that the main aim of the meeting was to discuss:

- the detailed assessment on the CR-651.
- the preliminary assessment on the CR-559.
- the revised proposal from the 4CB for the implementation of the CR-544.
- new Change Requests raised by the market.
- the draft of penalty mechanism document from the CSD Regulation task force (CSDR TF).
- the feedback from Sub Group on Message Standardisation (SGMS) on various Change Requests.
- 4 Scope Defining Documents (SDD) clarification notes and 1 UT-PBR clarification note.
- Scope of T2S Release 3.0.

2. Feedback on action points from previous CRG meetings

The participants were informed that only the 'open' action points would be discussed during the meeting. The feedback of CRG members for action points which were 'pending closure' would be collected through the written procedure¹.

T2SACTION-2900: Bundling of T2S outbound messages during RTS – Outcome of the DCPG written procedure. The initiator of the Change Request T2S-0613-SYS (T2S should give the

¹ During the written procedure from 01-10 March 2017, the CRG members did not raise any objection for the action points with the status 'pending closure'; hence the action points can be considered closed.

possibility to receive outbound T2S messages bundled in files) will share the outcome of the CRG discussion with their market participants who requested the functionality. After that CR initiator will inform the CRG on the way forward on the CR-613.

Update: The initiator of the CR-613 informed that the Change Request is considered as important by their market participants. They are still discussing the topic with their market participants and could raise a Change Request that will be a simplified solution, at the same time meeting the requirement of the market. The action point remains open.

T2SACTION-2892: Change Request T2S-0650-SYS (T2S to prevent duplicate sequence numbers after a Recovery After Disaster) - The ECB will check with the OMG the urgency of the CR-650 (and potentially the new requirement for MITI) in case the Change Request is not integrated with the CR-446.

Update: The CRG was informed that the Change Request will be shared with the Operations Managers Group (OMG) after the updated version of the Change Request is shared by the CR initiator. The 4CB informed that integration of the requirements into CR-446 will not be feasible. The action point remains open.

T2SACTION-2891: Change Request T2S-0650-SYS (T2S to prevent duplicate sequence numbers after a Recovery After Disaster) - The CR initiator will be invited to check whether the Change Request needs to be updated or a new Change Request has to be raised to include the issue related to the duplicate MITI reference in case of RAD.

Update: The CR initiator informed that they will provide the updated Change Request for the next CRG meeting in March 2017. The action point remains open.

T2SACTION-2888: Change Request T2S-0647-SYS (T2S Actors should be allowed to extract bulk of outbound messages in XML format) - The ECB will arrange a dedicated Telco for the CRG to discuss these business cases and solutions.

Update: The CRG was informed that they will be informed about the date for the dedicated CRG telco/meeting* on the topic. The action point remains open.

T2SACTION-2887: Change Request T2S-0647-SYS (T2S Actors should be allowed to extract bulk of outbound messages in XML format) - The CRG members will provide their business cases for the issues experienced when resending of messages were necessary, in case they are not covered in the business cases provided by the OMG presentation.

Update: The CRG was informed that they could provide additional business cases/issues after the dedicated CRG telco/meeting* on the topic. The action point remains open.

T2SACTION-2886: Change Request T2S-0647-SYS (T2S Actors should be allowed to extract bulk of outbound messages in XML format) - The 4CB will share with the CRG an extract of the

presentation that was discussed in the OMG describing various business cases when the T2S messages were not delivered to the T2S actors and the solution for these business cases.

Update: The CRG was informed that the presentation will be shared with them as background document for the dedicated CRG telco/meeting* on the topic. The action point remains open.

T2SACTION-2815: Clarification note on data accuracy for queries and reports due to latency between operational and informational database - The CRG agreed that the UDFS wordings proposed by the 4CB will be incorporated in the UDFS as part of next editorial Change Request. The 4CB will also add a footnote in the UDFS to provide a reference to the MOP where the figures related to latency and the way to change them via minor change will be specified.

Update: The CRG was informed that the 4CB will provide the editorial Change Request on 17 March 2017.

T2SACTION-2806: Change Request T2S-0647-SYS (T2S Actors should be allowed to extract bulk of outbound messages in XML format) - The ECB will check with the OMG if the initial communication problem can be covered via a “Retry” functionality of the NSP.

Update: The CRG was informed that the OMG will be asked for advice (if considered necessary) after the CRG telco/meeting* on the topic. The action point remains open.

T2SACTION-2805: Change Request T2S-0647-SYS (T2S Actors should be allowed to extract bulk of outbound messages in XML format) - The CR initiator will check if the current ‘Resend’ functionality via A2A / U2A mode can be reused and amended to solve the request.

Update: The CRG was informed that the CR initiator will check about the ‘Resend’ functionality (if considered necessary) after the dedicated CRG telco/meeting* on the topic. The action point remains open.

T2SACTION-2795: Change Request T2S-0544-URD (Retroactive Cash Restriction (Cash Blocking and Reservation) - The CR initiator will update the Change Request, if agreeable with the 4CB proposal.

Update: The CRG was informed that the Change Request will be updated after the discussion about the implementation approach for the Change Request was finalised. The action point remains open.

T2SACTION-2784: Change Request T2S-0503-SYS (T2S Actor Reference and T2S Reference of counterparty’s settlement instruction should be included in T2S messages sese.024, sese.025 and sese.032 after matching) - The CR initiator will update the Change Request to remove the two possible implementation options at the message level as per the discussion during the SGMS and refer to the need for an ISO CR to create new attributes.

Update: During the CRG discussion it became apparent that the initial version of the Change Request as drafted by the initiator exactly reflects the solution finally agreed by the CRG. The action point was closed.

*(*The CRG was informed via mail on 09 March 2017 that the topic of 'Management of communication failure scenarios in T2S' in the context of T2S-0647-SYS (T2S Actors should be allowed to extract bulk of outbound messages in XML format) will be discussed during the CRG meeting on 30 March 2017)*

3. Approval of the summary of previous meetings

The CRG did not raise any objections to the final approval of the following summaries:

- Summary of the CRG meeting of 12-13 December 2016
- Summary of CRG written procedure from 31 January to 2 February 2017
- Summary of CRG written procedure from 8 to 10 February 2017

4. Analysis of the Change Requests

A) Detailed assessment on Change Requests

Change Request T2S-0651-SYS (Apply pagination in the Statement of Transactions (semt.017) at transaction level)

The aim of the Change Request is to ensure that the Statement of Transaction is generated even in the case when there are very high activities on a given ISIN and securities account (above approx. 17,000 transactions per day).

The Change Request has a development cost of Euro 43,289.15 and operational cost of Euro 3,453.52 per year.

The CRG recommended the approval of the Change Request and its inclusion in the T2S Release 1.3.

CRG decision: The CRG recommended the approval of the Change Request and its inclusion in the T2S Release 1.3.

B) Preliminary assessment on Change Requests

Change Request T2S-0559-URD (Prevention of matching (moment of irrevocability) SF2 in case of insolvency of a CSD Participant or a DCA holder)

The aim of the Change Request is to prevent the risk of matching of unmatched instructions submitted by an insolvent party (or on its behalf) and aiming at debiting one of its accounts (securities account or DCA). The risk of matching exists between the moment where the operator is made aware of the insolvency and the moment where the instructions are cancelled.

The CRG was informed that the Change Request would have an impact on Lifecycle Management and Matching (LCMM), Static Data Management (SDMG), Interface (INTF) and Data Migration Tool (DMT) modules/functionalities in T2S and the impact of the Change Request was high.

The 4CB explained that the Change Request is expected to result in a slight impact on the T2S performance even in the normal situation when the insolvency status is not activated. However when the insolvency status is activated, the impact on performance is expected to be higher since T2S would have to check the insolvency status at the validation level for the instruction and at the matching level for counterparty instruction as well.

The CRG was informed that the current insolvency procedure already defines that instructions falling under a specific scenario, i.e. the time frame between when the insolvency proceedings are opened in the real world (TS1) and the time when the T2S operator is made aware of it (TS2), should be cancelled. The Change Request would avoid matching of settlement instructions on the T2S platform entered between TS1 and TS2, thereby reducing the burden on CSDs of having to perform potential bilateral cancellations of those settlement instructions if matching was not prevented. The Change Request would not lead to any change in the current allegation process, queries and reports. Also status messages would not include the reason why matching did not take place (unmatched status NORE), nor would additional status updates be sent to the insolvent party and/or its counterparty to inform about the ineligibility of an instruction to match.

Since the preliminary assessment of the Change Request indicated the high implementation efforts and potential negative impact on performance the 4CB suggested to the CRG to consider withdrawal of the Change Request. It was also noted that whilst the Change Request would support operational processing during insolvency, it is not mandatory from the regulatory perspective and would address a limited scenario.

The CRG agreed to check with the OMG whether the burden on CSDs of having to perform bilateral cancellations at the end of day (EOD) especially in case of cross-CSD scenario, because matching is not prevented in specific situations, is acceptable and/or can be handled operationally on a long-term basis. The OMG will also be informed that the Change Request has high impact, limited usage, potential negative impact on performance, low business value assigned by the CRG members and lack of clear regulatory requirement.

The CRG agreed to inform the CSD Steering Group (CSG), which is the initiator of the Change Request, about the result of the preliminary assessment, the OMG feedback and ask for its view on the way forward on the Change Request.

The CRG noted that CSDs might have declared an insolvency for a party at different times depending on when the information was received.

A CRG member mentioned that the T2S platform should be able to handle the insolvency scenarios. The insolvency procedure already foresees that all instructions from insolvent party which are entered after the declaration of insolvency shall be cancelled by the CSD at the latest end of the day, depending on the scenario. The implementation of the Change Request would only prevent the potential burden of additional bilateral cancellations to be performed in specific scenarios². Bilateral

² Transfer orders entered after the opening of insolvency proceedings, which were not matched on the T2S platform by the time the CSD/NCB becomes aware.

cancellation of such instructions is operationally identical to unilateral cancellation if both the parties belong to the same CSD (and the common matching reference can be used), however in case of cross-CSD scenario the process could be cumbersome since the CSDs need to contact each other to cancel their respective leg of transaction.

The 4CB proposed that T2S could prevent matching by checking every instruction at matching level to discard those that belong to an insolvent party and if the T2S insolvency status is activated.

The 4CB explained that in the proposed implementation solution, if the insolvency status in T2S is activated then T2S would check every instruction at matching level to identify if the instruction belongs to the insolvent party. A CRG member suggested that instead of checking every instruction, T2S could run a script that would flag the instructions belonging to the insolvent party (which were accepted in T2S during a specific timeframe) and those flagged instructions should be ineligible for matching. The 4CB indicated that this alternative solution would impact the data model, might require an additional matching status (e.g. matching not required) and require updates to the queries and reports. The 4CB also agreed to check if a simpler implementation solution could be envisaged.

The CRG acknowledged that the requirements of the Change Request were not questionable however the implementation solution is cumbersome. One of the CRG members mentioned that the number of settlement instructions remaining unmatched on the T2S platform between the TS1 and TS2 is expected to be very small, and the risk of matching until those instructions are cancelled by the CSD is also minimal, therefore it would not justify very high implementation efforts.

CRG decision: The CRG took note of the preliminary assessment on the Change Request.

Action points:

- The CRG agreed to check with the OMG whether the burden of having to perform bilateral cancellations especially in case of cross-CSD scenario, because matching is not prevented in specific situations, is acceptable and/or can be handled operationally on a long-term basis. The OMG will also be informed that the Change Request has high impact, limited usage, potential negative impact on performance, low business value assigned by the CRG members and lack of clear regulatory requirement.
- The 4CB will check whether a simpler implementation solution for the Change Request could be envisaged.

C) Other Change Requests from the market for future T2S Releases

Change Request T2S-0508-SYS (Automated scripts for clean-up of dynamic data of leaving CSD in contingency scenario)

The aim of the Change Request is to develop automated scripts for clean-up of dynamic data of leaving CSD in a contingency scenario.

The CRG was informed about the withdrawal of the Change Request.

CRG decision: The CRG took note that the CR initiator has withdrawn the Change Request.

Change Request T2S-0544-URD (Retroactive Cash Restriction (Cash Blocking and Reservation))

The aim of the Change Request is to enable users to amend an existing settlement instruction to add or remove cash restriction references.

The CRG was informed that regarding the question to the CRG about their preference for availability of the feature of amendment privilege on cash and security side, there was a unanimous view that the new feature should be available in User to Application (U2A) mode also. Among the three implementation options proposed by the 4CB, the option 3, i.e. providing object privileges on Dedicated Cash Account (DCA) level, was preferred by majority of the CRG members including the CR initiator. However, one CRG member was of the view that the CSDs should be in charge of the securities settlement instructions and therefore cash restrictions should be managed by them, or alternatively the CSDs should grant cross entity privileges to the cash counterpart to be able to modify the cash restriction reference.

Given the divided views in the CRG, the 4CB proposed another solution which would provide privileges to both the cash and security side to amend cash restrictions reference in the settlement instruction independently. This would be done by creating an amendment privilege for the cash side with the data scope as DCA of the concerned party and the other amendment privilege on securities side with the data scope as Securities Account (SAC) of the concerned party. There would be no need to grant cross system entity privileges.

The CR initiator mentioned that since the new solution allows the cash side to amend the cash restriction reference independently, the solution is in line with their requirement. The CR initiator acknowledged that the proposed solution would save the time lag and operational burden which is currently involved in providing the cross entity privileges to the cash side from securities side. Nevertheless, a CRG member who currently grants the cross-entity privileges to its central banks to modify the settlement instruction stated that the operational burden should not be considered as a major issue or a reason to discard this option.

Upon the question from a CRG member it was confirmed that a central bank would have the privileges without the CSD being aware of it and without an explicit authorisation from the CSD participants. Nevertheless, the cash side cannot use the privilege without an “explicit allowance” of the securities side on a case by case basis by providing the necessary Settlement Instruction reference. The CRG member raised a concern whether the new solution would be viable from a legal perspective considering the lack of a Power of Attorney (POA) from CSDs and CSD participants and that the solution would imply that the central banks and their payment banks would have access to the settlement instructions without a POA from the securities account owners. Another CRG member mentioned that this global POA is not needed because there is in any case an authorization on a case by case basis needed because the CSD or CSD participant has to provide the settlement instruction reference to the cash side, so that the central banks or payment banks can change the assignment of the cash restriction.

The CRG member further added that for providing the cross entity privileges to allow the cash side to amend the cash restriction reference, the solution which is in line with the T2S-0545-SYS (Separate release privilege for T2S auto-collateralisation reimbursement instructions) should be considered as preferred solution as it solves the above mentioned legal issues, this solution is currently used by them without any difficulty. Moreover the 4CB had confirmed that this solution is less expensive option. However, another CRG member replied that they have come to another assessment of the legal issues around cross entity privileges, and their use is not feasible for them. Therefore the approach on the basis of cross entity privileges granted by the CSD to the NCB was discarded for CR544.

Another CRG member mentioned that the new solution proposed by the 4CB is an automated way of providing the same type of privileges to the cash side but with different secured objects that are currently granted manually via cross-entity privileges. That means it is not needed, that the cash side has to be authorized for certain SACs for this type of privilege (as it would be the case for option 1 of the proposed solutions by the 4CB) since the cash privilege would consider the DCA as secured object. It was suggested that the CSD concerned about the legal aspects could require their central banks to agree with the CSD prior to using the privileges (the agreement between the CSD and central bank is outside the T2S). A CRG member considered this solution as very complex and would take long for implementation. In addition it was clarified that users on the cash side would not be able to see the full details of the concerned settlement instruction, but would only get access to a sub-set of information relevant for the cash management e.g. cash account and owner BIC, reference number, cash amount and currency, existing Cash Restriction References. The CRG member who raised the concern agreed to check if the new alternative, i.e. the use of the same privilege to amend cash restriction reference that would be both under the data scope of the cash side and under the data scope of the securities side, could be viable from legal perspective. The CR initiator also agreed to inform the German National User Group (NUG) about the CRG discussion that the proposed solution may not be feasible for some CSDs from a legal perspective and check with them whether the restrictions could be managed by their securities departments.

The CRG was informed about the SGMS recommendation to add a new section in sese.030 (Securities Settlement Condition Modification Request), sese.031 (Securities Settlement Condition Modification Status Advice) and semt.031 (Securities Settlement Conditions Modification Request Report) for modifications of cash restrictions which would require an ISO CR. The CRG agreed to the SGMS recommendation however mentioned that the relevant ISO CR should be drafted only after the CRG discussion regarding the preferred implementation approach for CR-544 is finalised. Based on the final implementation approach an ISO CR could be required either for modification of sese.030 or for modification of camt.066 (Intra Balance Movement Instruction).

CRG decision: The CRG agreed to the SGMS proposal to create a new block in sese.030 (Securities Settlement Condition Modification Request) to modify restriction references and corresponding

changes to the sese.031 (Securities Settlement Condition Modification Status Advice) and semt.031 (Securities Settlement Conditions Modification Request Report).

Action points:

- Euroclear will check if the new alternative for the definition of the required privileges favoured by the CR initiator and most of the CRG members, i.e. the use of the same privilege to amend cash restriction reference that would be both under the data scope of the cash side and under the data scope of the securities side, could be viable from a legal perspective.
- The CR initiator will inform the German NUG about the CRG discussion that the proposed solution, i.e. the usage of the same privilege to amend cash restriction reference that would be both under the data scope of the cash side and under the data scope of the securities side, may not be feasible for some CSDs from legal perspective and check with them whether the restrictions could be managed by their securities side.
- The CRG agreed that the 4CB will draft an ISO CR for addition of the new block in sese.030 to modify restriction references, after the implementation solution for the Change Request is finalised.

Change Request T2S-0609-SYS (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)

The aim of the Change Request is to inform T2S Actors with the settlement status ‘Failing’ via status update messages when settlement instructions/restrictions can no longer settle on the ISD, i.e. after the processing of the relevant T2S cut-off for the instructions/restrictions is completed.

The CRG was informed about the updates made to the Change Request to

- remove the footnote 3 (i.e. Filtering out ‘Failing’ status) as the CSDR Task Force member who initiated this requirement no longer supported it
- to remove the footnote 4 (i.e. ‘Pending’ status is only derived for reporting purposes and not stored in the T2S database)
- to modify footnote 5 to specify that ‘failing’ status will be reported by T2S after the processing related to the relevant T2S cut-off (i.e. DVP, BATM, FOP) is completed.

A CRG member asked if the status will be stored in T2S or if it will only be derived when creating the status message. The 4CB confirmed that technically the status will be stored somewhere, but the information whether to make the status visible in the T2S GUI or not will be provided as part of the detailed assessment of the Change Request only. The 4CB also agreed to consider during the detailed assessment the impact of change of status on the EOD processing.

A CRG member mentioned that the reporting of the settlement status (Pending/Failing) in the sese.032 (Securities Settlement Transaction Generation Notification) message was suggested for consistency reasons. The 4CB informed that from a technical perspective there would be difficulties in reporting the settlement status in sese.032 messages, as the information whether the realignments

could immediately settle after generation or not is not available in LCMM when sese.032 is generated, i.e. the 'Pending' status is not reported today in the sese.032. It was therefore suggested that the CSDs rely on the sese.024 (Settlement Instruction Status Advice) message for reporting of the settlement status (Pending/Failing), also for realignments.

The CRG acknowledged that the reporting of settlement status in the sese.024 was sufficient and agreed to inform the CSDR TF about the difficulties in reporting settlement status in sese.032.

Finally a statistic was presented which showed that approx. 4,000 additional status advice messages can be expected to be sent during the EOD process due to the status change from Pending to Failing. This was considered acceptable from a volumes perspective and also due to the fact that there is currently a time buffer prior to the start of the EESR (EoD Extract Data for Statements and Reports) event and accordingly the EOD process is not expected to be delayed by the additional messages.

CRG decision: The CRG agreed to keep the Change Request on hold.

Action points: The CSDR TF will be informed about the reasoning for not reporting the Settlement Status (Pending/Failing) in sese.032 (Securities Settlement Transaction Generation Notification) messages and the proposal of the CRG to remove sese.032 from the scope of the Change Request.

Change Request T2S-0638-SYS (T2S should allow and process already matched instructions which include the counterparty's securities sub-position to be used for settlement purposes)

The aim of the Change Request is to allow provision of the sub-balance type of the counterparty in an already matched instruction. Currently the sub-balance type can be provided only for one leg of the transaction.

The CRG agreed that the inclusion of 'Securities Sub Balance Type' is relevant for sese.023 (Securities Settlement Transaction Instruction) in order to be able to provide the sub-balance type of the counterparty to T2S. The CRG was of the opinion that a change in sese.025 (Securities Settlement Transaction Confirmation) is not required since a settlement confirmation always relates to one side of the transaction (i.e. two separate sese.025 messages are always sent even for an already matched instruction, unless the user specifically unsubscribed for this)

As the information is currently reported in the sese.025 and is not included in any other status advice or report (e.g. sese.024, semt.017, semt.018), the CRG recommended to update the Change Request to specify that the scope is restricted to the sese.023 message only. The CR initiator agreed to consult its market participants if this change of scope is acceptable.

The CRG was informed about the SGMS recommendation that the 'Securities Sub Balance Type' block requested in sese.023 should be replaced by two new blocks, i.e. 'Delivering Securities Sub Balance Type' and 'Receiving Securities Sub Balance Type', to carry the information about the securities sub balance of the party and the counterparty.

The CRG was also made aware that the introduction of two new blocks would require mandatory changes for all T2S Actors currently using securities sub balance types.

The CRG agreed that the 4CB will draft an ISO CR to replace the existing 'Securities Sub Balance Type' block by two new blocks (i) Delivering Securities Sub Balance Type (ii) Receiving Securities Sub Balance Type in the sese.023.

CRG decision: The CRG recommended that only sese.023 (Securities Settlement Transaction Instruction) should be in the scope of the Change Request, subject to confirmation by the CR initiator. The CRG also recommended drafting the related ISO CR based on the SGMS proposal to replace the existing 'Securities Sub Balance Type' block by two new blocks (i) Delivering Securities Sub Balance Type (ii) Receiving Securities Sub Balance Type in the sese.023.

Action points:

- The CR initiator will consult its market participants to check if limiting the scope of the Change Request to the sese023 is acceptable. The 4CB will draft an ISO CR to replace the existing 'Securities Sub Balance Type' block by two new blocks (i) Delivering Securities Sub Balance Type (ii) Receiving Securities Sub Balance Type in the sese.023.

Change Request T2S-0642-SYS (Adjustments to the PDF and XML format of T2S invoices)

The aim of the Change Request is to optimise the format of T2S invoicing documents by changing the PDF and XML templates of T2S invoices.

The CRG was informed about the updates made to the Change Request to (i) remove the alternative 2 for the structure of the field 'Method of Payment'. The updated Change Request now specifies three subfields for Payment Details, Account and Reference and the length for each of the fields (ii) specify the impact on billing report (camt.077)

The CRG was also informed about the SGMS agreement for the proposal made by the Eurosystem and the T2S financial team for -

- Addition of following subfields for the Field 'Regulatory Data/Payment Method':
 - New sub field '/Payment Details': 500 characters
 - New sub field '/Account': 500 characters
 - New sub field '/Reference': 210 characters
- Increasing the length of character from 210 to 500 for the field 'Regulatory Data/Invoice Legal Statement'
- Addition of the new field 'Payment Information' with 500 characters
- Addition of the new field 'VAT' in section Regulatory Data/Invoice

The CRG recommended to launch the preliminary assessment on the Change Request. The CRG took note that the preliminary assessment will be available on 25 April 2017.

CRG decision: The CRG recommended to launch the preliminary assessment on the Change Request along with the Change Request T2S-0643-SYS (Display service item code and price on the GUI screen) and Change Request T2S-0644-SYS (Automatic set-up of the payment due date in invoices).

Change Request T2S-0646-SYS (Pre-formatted operational reports at specific times)

The Change Request aims at providing pre-formatted operational reports based on the data retrieved from T2S at specific times and providing these reports to the individual CSDs /CBs that opt for them. The CRG was informed that the Data Access Task Force (DATF) is currently discussing the feedback provided by NCBs and CSDs during the OMG and Working Group on TARGET2 (WGT2) written consultation of the Change Request. Once there is a clarification on the comments/feedback the Change Requested would be updated. The updated Change Request would be then shared with the CRG. Based on the CRG recommendation, the 4CB could resume the detailed assessment.

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

The aim of the Change Request is to allow the configuration of currency dependent events for each of the T2S currencies to ensure that the delay in a currency dependent cut-off for one currency does not lead to a delay in the cut-off for other currencies.

It was clarified that T2S will send a camt.019 message (Return Business Day Information) before the starts of the first IDVP (intraday delivery versus payment cut-off) with the status 'RTMC' (real-time settlement closure) and additional camt.019 messages with same system status and additional information about the currency at the EDVP (end of IDVP as introduced with T2S-0635-SYS) of each of the currencies.

The CRG agreed that the WGT2 should be informed about the introduction of the new event RTCL (Real Time Closure) to the T2S daily schedule and the calculation of the congestion period connected to the RTCL event. As the congestion period is calculated by TARGET2 (T2) for users accessing T2S via T2 Value Added Services (VAS) there could be a need for adaptation on T2 side as a result of the introduction of the event RTCL.

The CRG was informed that the detailed assessment on the Change Request will be shared on 19 May 2017.

CRG decision: The CRG took note that the Change Request is currently under detailed assessment.

Action points: The Change Request will be shared with the WGT2 to inform about the introduction of the new event RTCL (Real Time Closure) and the calculation of the congestion period connected to the RTCL event. As the congestion period is calculated by T2 for users accessing T2S via T2 valued-added services there could be a need for adaptation on T2 side as a result of introduction of the event RTCL.

Change Request T2S-0652-SYS (Increase the limit of distinct values for the parameters relating to message subscriptions)

The aim of the Change Request is to increase the limit of distinct values to be used in message subscription rules, in order to support the required level of granularity for the subscription rules for all actors directly connected to a given system entity.

The CRG was informed that the outcome of the written procedure showed an agreement in the CRG that the limits of 100 for the distinct values and 1500 for total message subscription configurations as specified in the Change Request are sufficient. Additionally the 4CB informed that the Change Request could potentially have negative performance impact if the limit for distinct values is increased over 100.

One CRG member informed that they were able to optimise the message subscription rules in cooperation with the T2S Operator. The CRG was informed that in case of need other CSDs could also follow a similar approach by raising a request to the Service Desk.

The CRG agreed that the current version of the Change Request is finalised from content point of view and recommended to launch the preliminary assessment on the Change Request. The CRG took note that the preliminary assessment will be available on 25 April 2017.

CRG decision: The CRG recommended to launch the preliminary assessment on the Change Request.

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

The aim of the Change Request is to create a functionality of 'partial release' which would allow CSD participants to release a transaction for part of the quantity.

The CR initiator proposed that T2S should give the possibility to the user to send an amendment instruction to the instruction which is on hold to release a specific quantity. The remaining quantity should continue to be on hold. The CR initiator explained that the functionality would avoid the current complex process involved in cancellation and creation of two new instructions in case of lack of resources. Another benefit is in the context of CSDR penalty regime, to ensure minimum amount of cash penalties due to settlement fails at the end of the day. It was also mentioned that the Change Request could result in improved settlement efficiency in T2S.

The CRG raised various questions on the functional consistency and operational aspects of the Change Request. The CRG agreed to share their feedback/questions on the Change Request during the written procedure so that the CR initiator could consider them in further drafting of the Change Request. The CR initiator also agreed to discuss the feedback from CRG during a trilateral telco with the 4CB and ECB and potentially update the Change Request.

The CRG acknowledged that the impact of the Change Request could be high on the 4CB and on T2S Actor side. Some of the CRG members were not in favour of the Change Request as it would lead to complexities in handling the status of the instruction(s) in case of partial release and related partial settlement.

The CRG discussed whether the functionality currently exists in terms of market practice. A CRG member who is also a Securities Market Practice Group (SMPG) member confirmed that it is not a market practice today. The CRG agreed to get the expert opinion of the SMPG on the Change Request after it is finalised. One CRG member indicated that potentially there could be a solution on the messaging level which would make use of existing fields in sese.030 (Securities Settlement Condition Modification Request) in order to initiate a partial release.

CRG decision: The CRG put the Change Request on hold.

Action points:

- The CRG members will provide their feedback/open questions for the Change Request that need to be taken into account in the functional analysis and further drafting of the Change Request.
- The ECB will arrange a trilateral telco with the 4CB, Euroclear and ECB to discuss the open questions related to the Change Request, which could trigger the update of the Change Request.

Change Request T2S-0655-SYS (T2S should allow updates of maturity date for matured ISINs)

The aim of the Change Request is that T2S should allow updates of the maturity date for matured ISINs by modifying the business rule DSU1003 (When performing a securities update request, it must refer to an existing and active securities with a maturity date that is greater than the current business date).

The CRG agreed that the Change Request was finalised from content point of view.

The CRG recommended to launch the preliminary assessment on the Change Request. The CRG took note that the preliminary assessment will be available on 25 April 2017.

CRG decision: The CRG recommended to launch the preliminary assessment on the Change Request.

4CB proposal for Change Request on enhancement of long-term statistical information (LTSI)

The CRG was informed that, considering the increase of static and dynamic data volume with each of the migration wave, performance issues were encountered while using the predefined queries or reports in the LTSI module.

The 4CB shared the proposal for enhancements to increase the usability and performance of the LTSI module that would lead to an improved performance while executing the predefined queries and reports. The 4CB would draft a Change Request to incorporate the proposed enhancements and the cost of the Change Request will be borne by them. The proposed changes would also have an impact on the User Handbook (UHB).

The CRG agreed that the 4CB will draft the Change Request. It will be discussed in the next CRG meeting.

CRG decision: The CRG agreed that the 4CB will draft the Change Request based on the proposal shared by the 4CB for the potential improvements in the performance of the LTSI module when using predefined reports and queries.

5. Settlement penalty mechanism

Draft of the penalty mechanism document from the CSDR TF

A brief introduction of the T2S penalty mechanism was presented to the CRG. The CRG was informed about the computation of the Settlement Fail Penalty and Late Matching Fail Penalty in T2S in various scenarios.

The CRG was informed that a Change Request will be raised by the CSDR TF to detail the user requirements.

The CRG agreed to share their comments/feedback on the draft of the penalty mechanism document during the written procedure. These comments would be answered by the CSDR team at the ECB and provided to the CSDR TF as input for their meeting on 15 March 2017.

Action points: The CRG members will provide their feedback/open questions on the draft of the Penalty Mechanism document from the CSDR TF.

6. SGMS feedback on Change Requests for future T2S releases

Change Request T2S-0503-SYS (T2S Actor Reference and T2S Reference of counterparty's settlement instruction should be included in T2S messages sese.024, sese.025 and sese.032 after matching)

The aim of the Change Request is to provide counterparty's T2S Actor reference and counterparty's T2S reference (i.e. counterparty's Market Infrastructure Transaction Identification - MITI) in the receiving/delivering parties block in all post-match status advices (sese.024), settlement confirmations (sese.025) and T2S generated realignment instructions (sese.032).

The CRG was informed about the SGMS recommendation that T2S Reference (MITI) should be provided in the Processing Identification field of the Depository section of the Delivering/Receiving Settlement Parties by unpruning the field. The T2S Actor Reference should be provided in the Processing Identification field of the Party 1 section of the Delivering/Receiving Settlement Parties.

The CRG acknowledged that the SGMS recommendation would imply that the T2S Actor reference of the counterparty provided in the Party 1 Processing Id of the sese.023 will be overwritten with the Actor Reference of the counterparty in sese.024 and sese.025 upon matching. No issues were raised by the CRG on this point.

The CRG was also informed about the SGMS discussion on addition of an optional code to the Party 1 Processing Id to ensure correct identification of the type of Actor Reference provided, e.g. Account Owner Ref, Account Servicer Ref, etc. Addition of the code would require an ISO CR. Alternatively no additional information would be provided to indicate the type of Actor Reference. The CRG agreed that addition of new code to the Party 1 Processing Id is not required and hence no ISO CR needs to be raised.

The CRG also agreed to recheck if the provision of the Match Reference which is currently provided in the supplementary Data block as an interim solution would still be required after the implementation of the CR-503, since some CRG members expect that the provision of the Match Reference could become redundant after the CR-503 is implemented.

CRG decision: The CRG agreed to the SGMS recommendation to use the existing Processing Identification (Proc Id) field in DELI/RECE Depository and Party1 block for inclusion of T2S Reference and T2S Actor reference.

Change Request T2S-0611-SYS (Cash Account Postings GUI Screen to include the T2S Actor References)

The aim of the Change Request is to include the T2S actor references on the Cash Account Postings screen and camt.006 message (Intra-balance Movement Instruction), which would provide reconciliation references to the users.

The CRG was informed about the SGMS recommendation to introduce a new block 'Securities Settlement References' within the 'Transaction' block of camt.006. The securities settlement references block would include the following fields:

- Account Owner transaction identification
- Account Servicer transaction identification
- Market Infrastructure Transaction Identification
- Processing Identification

The CRG agreed that all references in the new block should be optional fields.

The introduction of the new block would require a SWIFT CR. Once the related SWIFT CR is implemented the current mapping of the T2S Actor Reference and T2S Reference should be changed to the new fields.

The CRG agreed that the 4CB will draft the relevant SWIFT CR. The CRG also agreed to update the Change Request to align it with the potential SWIFT CR.

CRG decision: The CRG agreed to the SGMS recommendation to introduce a new block 'Securities Settlement References' within the 'Transaction' block of camt.006 (Return Transaction). The CRG also recommended to draft the related SWIFT Change Request.

Action points:

- The ECB will update the Change Request to align it with the potential SWIFT CR.
- The 4CB will draft a SWIFT CR for introduction of a new block 'Securities Settlement References' within the 'Transaction' block of camt.006

Change Request T2S-0623-SYS (Standing rebalancing of securities positions)

The aim of the Change Request is to introduce the possibility for CSDs to allow them to generate 'standing', 'already matched FOP transfers' to move the whole position of one Securities Account or earmarking position to another SAC or earmarking position.

The CRG was informed about the diverse views of the SGMS on the Change Request to use either a dedicated ISO transaction code for the rebalancing e.g. REBL or use the existing code OWNI (Internal Account Transfer) to unambiguously identify the rebalancing transactions. Creation of dedicated ISO transaction code would require an ISO CR.

A CRG member suggested not to use the code OWNI as the code is being currently used by them for other business processes. The CRG was made aware that the preference for a new/dedicated ISO transaction code would mean that this ISO Change would only be available in ISO 2018 version. Hence the earliest possible implementation of Change Request could only be after T2S Release 3.0

since T2S Release 3.0 (June 2019) would upgrade to ISO 2017 version, as currently foreseen. However the Change Request has not been prioritised highly for T2S Release 3.0 in any case.

The CR initiator agreed to check if they would like to classify the Change Request as specific Change Request since other market participants did not consider the functionality important from business value perspective. One CR initiator also agreed to confirm their preference for the use of new ISO transaction code or the re-use of an existing code.

Action points: The CR initiators will check if

- they would like to classify the Change Request as 'specific' Change Request
- they prefer to use a new ISO Transaction Code (which would require an ISO CR) for rebalancing or if they would prefer to re-use an existing code.

7. Analysis of SDD clarification notes related to fixes

SDD-PBR-0009 (Deactivation of the size check for pagination to allow the delivery of the statement of transactions (semt.017) or to skip its creation under specific conditions - INC-191263 and INC-188878)

The SDD clarification note describes the following issues:

- Issue 1: The creation of the Statement of Transactions (semt.017) for Securities Accounts with an exceptionally high number of (partially) settled Settlement Instructions leads to an unacceptable creation time.
- Issue 2: The delivery of the Statement of Transactions (semt.017) for Securities Accounts with a very high number of (partially) settled Settlement Instructions is delayed.

The SDD clarification note explains the below solutions implemented in production to address the above-mentioned issues:

- Solution for issue 1: The creation of the semt.017 report belonging to specific securities accounts can be skipped. The securities account for which this special processing is applied can be parameterised in the application by the T2S Service Desk.
- Solution for issue 2: The semt.017 report for specific securities accounts can (i) be provided via the store-and-forward communication mode instead of the real-time communication mode and (ii) skip the size check for pagination (pagination will be applied in any case). The securities accounts for which this special processing is applied can be parameterised in the application by the T2S Service Desk.

These changes shall be reflected in the UDFS.

T2S Actors need to inform the T2S Service Desk about the securities accounts (with an exceptional high number of partially/fully settled instructions) for which the Statement of Transactions (semt.017) should be sent via the store-and-forward communication mode instead of the real-time

communication mode and should skip the size check for pagination (report pagination will be applied in any case).

CRG decision: The CRG agreed to the implementation described in the SDD clarification note as well as the updates to the UDFS.

SDD-PBR-0010 (Deactivation of the size check for pagination to allow the delivery of Securities Reference Data Query response (reda.012) under specific conditions - INC-189722)

The creation of the query response (reda.012) for Securities Reference Data Query (reda.010 'SECR') with a large amount of data required more time than expected.

The SDD clarification note explains the solutions implemented in production to address the above-mentioned issue (i) providing the query response via the store-and-forward communication mode instead of the real-time communication mode and (ii) skipping the size check for pagination (pagination will be applied in any case) when a specific code word (i.e. '189722' in the tag 'Priority' of the header) is used in the Securities Reference Data Query.

These changes shall be reflected in the UDFS.

T2S Actors need to inform the T2S Service Desk that they want to make use of the functionality for which T2S sends a Securities Reference Data Query response (reda.012) via the store-and-forward communication mode instead of the real-time communication mode and skip the size check for pagination (report pagination will be applied in any case) when the T2S Actors send a Securities Reference Data Query (i.e. reda.010 with message usage 'SECR', field /SctyQry/ReqTp/Id) with a specific priority tag (i.e. AppHdr/Rltd/Prty).

CRG decision: The CRG agreed to the implementation described in the SDD clarification note as well as the updates to the UDFS.

SDD-PBR-0016 (Deactivation of the size check for pagination to allow the delivery of the statement of holdings (semt.002) under specific conditions - PBI-200310)

The delivery of the Statement of Holding (semt.002) for securities accounts with large number of securities position is delayed.

The SDD clarification note explains the solutions implemented in production to address the above-mentioned issues (i) providing the semt.002 report for specific securities accounts via the store-and-forward communication mode instead of the real-time communication mode and (ii) skipping the size check for pagination (pagination will be applied in any case).

These changes shall be reflected in the UDFS.

T2S Actors need to inform the T2S Service Desk about the securities accounts (with an exceptional high number of securities positions) for which the Statement of holdings (semt.002) should be sent

via the store-and-forward communication mode instead of the real-time communication mode and should skip the size check for pagination (report pagination will be applied in any case).

CRG decision: The CRG agreed to the implementation described in the SDD clarification note as well as the updates to the UDFS.

SDD-PBR-0019 (Free of Payment (FOP) instruction with transaction condition code ADEA (Accept After Regular Settlement Deadline) should be submitted for settlement to FOP cut-off – PBI-200420)

Currently a Free of Payment (FOP) instruction with the securities transaction condition code ADEA (securities transaction code to identify transactions eligible for BATM³) received between the BATM cut-off (i.e. 17:40) and the FOP cut-off (i.e. 18:00) is reported with the pending reason code 'LATE' (i.e. Market Deadline Missed). In short, the issue is that the settlement instruction is considered for the BATM cut-off and not for the FOP cut-off.

T2S Actors expected the FOP instruction to be subject to the FOP cut-off and not to the BATM cut-off, independent from the ADEA flag used in the instruction.

The SDD clarification note explains that T2S should consider the FOP instruction with the securities transaction code ADEA for settlement until the FOP cut-off and not until the BATM cut-off.

These changes shall be reflected in the UDFS and in the GFS.

The CRG agreed that the T2S should consider the FOP instruction with the securities transaction code ADEA for settlement until the FOP cut-off and not until the BATM cut-off.

After implementation of the changes, the FOP instructions with the securities transaction condition code ADEA will also be attempted for settlement between the BATM cut-off (i.e. 17:40) and the FOP cut-off (i.e. 18:00).

CRG decision: The CRG agreed to the implementation described in the SDD clarification note as well as the updates to the UDFS and to the GFS.

8. Input requested by the User Testing Sub-group

UT-PBR-079 (Multilateral: settlement problems for linked instructions in the context of CoSD – INC 185482)

During the testing activities, an instruction carrying 'AFTER' link to an instruction which was previously on CoSD (conditional securities delivery) remained unsettled after the instruction under CoSD was released and settled.

³ BATM cut-off: Bilateral Agreement Treasury Management cut-off at 5.40 pm

The user expected that the instruction with an 'AFTER' link should be allowed to settle after the linked CoSD instruction had settled.

The CRG was informed that the business rules SPST028⁴ and SPST029⁵ prevent the settlement of settlement instructions and restrictions stating non-reciprocal links to an instruction under CoSD Hold. This is to ensure that they do not interfere with the CoSD process. In T2S, non-reciprocal links are created during the eligibility check which is performed at ISD after the CoSD analysis and as such there is only one attempt to create the non-reciprocal links. In case the instruction to be linked to is under CoSD, the creation of the non-reciprocal link is prevented and as such the instruction stating the link remains pending until it is cancelled or its link is removed.

A CRG member mentioned that from functional perspective the settlement of the instruction which has link 'AFTER' to the CoSD instruction should not be prevented after the CoSD was released and the instruction has settled.

The CRG acknowledged that the UDFS does not clearly describe the handling of instructions containing an 'AFTER' link to a CoSD instruction and further discussion on the topic is required. The CRG also agreed to have a discussion between the 4CB, ECB and other CSDs who are currently using CoSD rules about the potential solution/workaround to the issue of prevention of settlement of an instruction carrying 'AFTER' link to the CoSD instruction.

CRG decision: The CRG acknowledged that further discussion on the topic is required.

Action point: The ECB will organise a telco with the 4CB, ECB, Clearstream and Keler and discuss the potential solution/workaround to the issue of prevention of settlement of an instruction carrying 'AFTER' link to the CoSD instruction. Additionally, the ECB will check via the XMAP rulebook if any other CSD is using CoSD rules and invite them to the telco as well.

9. Scope of T2S Release 3.0

The CRG agreed to analyse the formulation of the R3.0 roadmap further during the meeting in April 2017, especially if the entire building blocks should be prioritised for the release or if prioritisation would also be required for individual Change Requests within the blocks.

The 4CB indicated the possibility to conduct detailed assessment on the Change Requests that are potential candidates for Release 3.0 in two slots. Based on the CRG recommendation the 4CB would start the detailed assessment on the first slot of Change Requests in the third quarter of 2017 (end of June till end of October 2017) which would include Change Requests considered mandatory for ISO upgrade and CSDR related CRs (considering the approval of CSDR Regulatory Technical Standards (CSDR RTS) from EU Commission and sufficient assurance on open issues from ESMA).

⁴ A settlement Instruction cannot be submitted to a settlement attempt if it states a link WITH, BEFORE or AFTER an instruction that is under CoSD Hold where this latter has no link to this instruction. Such a link will not prevent the settlement of the instruction on CoSD Hold.

⁵ A settlement restriction cannot be submitted to a settlement attempt if it states a link WITH, BEFORE or AFTER an instruction that is under CoSD Hold where this latter has no link to this instruction. Such a link will not prevent the settlement of the instruction on CoSD Hold.

The 4CB also agreed to indicate the time frame for detailed assessment of the second slot of Change Requests and provide considerations about the possible number of Change Requests that could be assigned to each of the slots.

The CRG agreed to conduct a new prioritisation exercise in the third quarter of 2017, based on the current Change Requests on hold and provide the business value indicators for the latest raised Change Requests beforehand and revise the business value for the old Change Requests, if they consider it necessary.

CRG decision: The CRG agreed to analyse the formulation of the T2S Release 3.0 roadmap further during their meeting in April 2017.

Action point: The 4CB will indicate the time frame for detailed assessment of the second slot of Change Requests and provide considerations about the possible number of Change Requests that could be assigned to each of the slots.

10. Any other business

Publication of Scope Defining Documents (SDD) v2.3 for R1.3 - CRG written procedure outcome

The CRG was informed that the Eurosystem feedback on the questions/comments raised by the CRG during the review of the T2S SDD v2.3 for T2S Release 1.3 has already been shared with them.

Proposed change in handling of SDD-CNs with adaptation of the process for release defects

The CRG was informed that the procedure for SDD-CNs which is currently used for production problems (PP) would also be used for release defects (RD). The SDD-CN for release defects would require an approval of the CRG and the UTSG instead of the OMG.

CRG decision: The CRG acknowledged that the SDD-CNs could be drafted for release defects as well.

Operational handling of UNIT and FAMT

A CRG member (Clearstream) raised a question as to why the operation handling of FAMT (Face Amount) and UNIT is different.

The 4CB agreed to explain during the trilateral telco (ECB, 4CB and Clearstream) the rationale for the different treatment for FAMT and UNIT with the help of supporting documents. Aim of the telco should also be to understand the expectation of the CRG member in this area.

Action points: Clearstream will have trilateral discussion with the 4CB, ECB in order to (i) better understand the rationale for the process applicable to FAMT and update of Settlement type (ii) provide their expectation in this area.

Observations about T2S behaviour experienced after migration wave 4

A CRG member (Clearstream) agreed to provide background document on their observations about T2S behaviour experienced after migration wave 4 for the discussion during the next CRG meeting on 30 March 2017.

Action points: Clearstream will provide a background document on the topic for the discussion during the next CRG meeting.

Process improvement - CRG mails

The CRG was informed that all the CRG documents are required to be published on the CRG website. Brainloop would mean double work for the CRG team and therefore they would propose not to use it. The CRG team agreed that in order to help CRG members identify the changes made to the agenda and documents, each batch of meeting documentation will be accompanied by the Agenda highlighting the date on which the background documents were sent.

Rescheduling of CRG meetings in 2017

The CRG was informed about the revision in the CRG meetings in 2017 as below:

28 March 2017 – Cancelled due to overlap with the OMG meeting

30 March 2017 – Meeting⁶

24 April 2017 – New⁷

27 April 2017 – Cancelled due to overlap with the OMG meeting

⁶ The CRG was informed via email on 02 March 2017 that the CRG teleconference from 15:00 – 17:30 on 30 March was cancelled and a CRG meeting was scheduled on 30 March 2017 from 9:30 – 17:30 at Deutsche Bundesbank, Frankfurt

⁷ The CRG was informed via email on 02 March 2017 that the CRG meeting has been scheduled on 24 April 2017 from 9:30 – 17:30 at European Central Bank, Frankfurt

<u>Participant's organisation</u>	<u>Name of participant</u>	
European Central Bank	Ms Karen Birkel	Chairperson
European Central Bank	Mr Alejandro Del Campo Roiz de la Parra	Rapporteur
European Central Bank	Ms Madhura Satardekar	
European Central Bank	Mr David Weidner	
European Central Bank	Ms Assitan Diallo	
European Central Bank	Mr Remy Al Sbinati	
European Central Bank	Ms Katarzyna Polubinska	
4CB	Mr Arno Friederich	
4CB	Ms Shkurtova Mariana	
4CB	Ms Wilma Jagomast	
4CB	Mr Dirk Beiermann	
4CB	Ms Kristin König	
4CB	Ms Natalia Canalejo	
4CB	Mr Miguel Martinez	
4CB	Mr Victorien Goldscheider	
4CB	Mr Massimiliano Renzetti	
4CB	Mr Michael Schwinzert	
Danmarks Nationalbank	Mr Peter Toubro-Christensen	
Deutsche Bundesbank	Ms Melanie Gulden	
Bank of Greece	Mr Yorgos Korfiatis	
Banque de France	Mr Christian Leboutet	
Banca d'Italia	Mr Michele Zaccagnino	
Banque centrale du Luxembourg	Mr Alexandre Briand	
Banco de España	Ms Anca Parau	
De Nederlandsche Bank	Mr Erik Beunen	
Iberclear	Ms Pilar Sanchez	
Euroclear	Mr Dan Toledano	
Euroclear	Mr Dimitri Pattyn	
VP Securities	Ms Susanne Hass	
Clearstream	Mr Markus Glück	
Monte Titoli	Mr Umberto Granata	
Centrálny depozitár cenných papierov SR, a.s.	Mr Juraj Aksamit	

ABN AMRO Clearing
BNP Paribas Securites Services
Deutsche Bank
LCH Clearnet
BBVA
CITI
Nordea
Societe Generale

Mr Ton van Andel
Mr Giorgio Ferraro
Ms Britta Woernle
Mr Pierre Peczi
Mr Daniel Saeta Martinez
Ms Jennifer Cryan
Mr Janne Palvalin
Mr Olivier Leveque