

T2S CHANGE REVIEW GROUP

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Outcome

Meeting of the T2S Change Review Group (CRG)

2 July 2020, 10:00 - 12:00 and 13:30 - 16:00

1. Introductory remarks and approval of the agenda

Outcome

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

CRG members took note that a decision of the Governing Council of the ECB on a potential rescheduling of the go-live of the T2-T2S Consolidation project was expected in July 2020. The Chairperson indicated that in this context, a detailed analysis of the possible impacts was ongoing and that the objective of the Eurosystem would be to keep the scope of T2S releases stable, to the extent possible.

The Chairperson also mentioned that the European Central Securities Depositories Association (ECSDA) had requested from the European Commission a postponement of the entry into force of the CSDR settlement discipline regime. The Chairperson indicated that while the outcome of this request was not known yet, from a T2S Change and Release management perspective, the objective would be to keep the scope and activities planned for R4.2 as stable as possible.

The CRG members approved the agenda of the meeting.

2. CRG action points list

Outcome

The ECB team provided an update on the status of open CRG action points. CRG members took note that 11 action points would be proposed for closure (AP-3856, -3946, -3972, -3973, -3974, -3975, -3977, -3978, -3979, -3980, -3981).

Follow-up action:

- CRG members to confirm the closure of action points proposed for closure [17 July 2020]

3. Analysis of change requests

3.1 Change requests under implementation

- T2S-0654-URD (T2S Penalty mechanism) – Annex 1 on activation

Outcome

The CRG agreed to update annex 1 of CR-654 (T2S Penalty mechanism), to make it consistent with the detailed CR-654 activation plan discussed at OMG level.

In addition, CRG members took note that some comments and questions were received after the last update of CR-654. Editorial clarifications resulting from these comments will be included in a separate editorial CR, for inclusion in the T2S documentation for release 5.0 (to be published in February 2021).

Follow-up action:

- ECB team to inform other T2S technical groups of the updated CR-654 [3 July 2020]
- 4CB to raise an editorial CR dedicated to clarifications on the T2S penalty mechanism specifications [17 September 2020]

- T2S-0713-SYS (Alignment of T2S Messages with ISO Maintenance Release 2018 - 2019 and migration to ISO registered versions)

Outcome

The CRG agreed to update CR-713 and its attached tracking table, in particular to remove restrictions on various fields of the messages camt.025, head.001, head.002, semt.013 and sese.023. The 4CB confirmed that no further updates to CR-713 or changes to the XSD message schemas were planned for R4.2.

A CRG member pointed out that to be consistent with the customisations of the 'Receiving Subbalance Type' block, the sese.023 element `SciesStlmTxInstr/StlmParams/DlvrgSciesSubBalTp/SchmeNm` should not be restricted to the fixed value 'RT'. CRG members agreed that removing this restriction was not critical and could therefore be implemented in a later release than CR-713.

Follow-up action:

- ECB team to inform other T2S technical groups of the updated CR [3 July 2020]
- 4CB to include in the next CR affecting the sese.023 schema an update of the datatype for the element `SciesStlmTxInstr/StlmParams/DlvrgSciesSubBalTp/SchmeNm`. This element should not be restricted to the fixed value 'RT' [18 November 2020]

3.2 Change requests already authorised (and not yet under implementation)

- T2S-0384-SYS (A2A message to make securities ineligible for auto-collateralisation)
- T2S-0436-URD (Client-collateralisation: allow payment banks to set up their own list of close links)
- T2S-0530-URD (One close link database for Eurosystem NCBs and separate database per non-EUR currency)
- T2S-0572-SYS (A2A message to remove close links)
- T2S-0574-URD (Applying additional haircuts to own-used assets in T2S auto-collateralisation)

Outcome

The CRG took note of the results of the detailed re-assessment of CR-384, CR-436, CR-530, CR-572 and CR-574, and recommended to the PMG their implementation in R5.0 (CR-384 and CR-572) and R5.2 (CR-436, CR-530, CR-574).

Follow-up action:

- ECB team to update CR-436 to clarify that Payment Banks could view close links defined by the Eurosystem if granted the relevant privileges [3 July 2020]
- ECB team to update CR-574 to clarify that in a contingency scenario, an operational procedure would need to be agreed for Eurosystem NCBs to provide collateral valuations instead of ECMS, and that U2A mode was only mentioned as an example of a channel available for that purpose. [3 July 2020]
- 4CB to provide the proposed wording of documentation updates for CR-574 15 weeks after the start of implementation of this CR [30 November 2020]

- T2S-0680-SYS (T2S should allow ECMS to receive flat file statement of holdings, transactions and pending instructions at the level of securities accounts)
- T2S-0714-SYS (T2S should allow ECMS to receive the notifications of relocation instructions (sese.032 and sese.025))

Outcome

The CRG took note of the main findings of the detailed assessment of CR-680 and CR-714. Due to the late distribution of the related background documents, CRG members agreed to reconvene on 9 July 2020 to consider a recommendation of the CRG to the PMG on these CRs.

Follow-up action:

- 4CB/ECB to verify whether not charging transmission fees for the flat files to be sent to ECMS (CR-680) would be beneficial and suitable, compared to the solution described in the detailed assessment of CR-680 [9 July 2020]
- 4CB to update CR-714 in case only upper case is allowed for values in the new attribute domain 'ECMS MSA' [9 July 2020]
- 4CB to provide the proposed wording of outstanding documentation updates for CR-680 after the start of implementation of this CR [30 November 2020]

- T2S-0705-SYS (CRDM Business Interface Impact on T2S)

Outcome

The CRG took note of the results of the detailed assessment of CR-705, and recommended to the PMG its implementation in R6.0.

Follow-up action:

- 4CB to provide the proposed wording of outstanding documentation updates for CR-705 10 weeks after the start of implementation of this CR [16 October 2020]

3.3 Change requests not yet authorised at T2S Steering Level

3.3.1 Change requests under preliminary assessment

- T2S-0700-SYS (Legal archiving common component for T2S)

Outcome

The CRG took note that CR-700 had been updated to include the list of messages exchanged between T2S and other TARGET Services to be stored in the Legal archiving component.

CRG members agreed to recommend CR-700 for Steering Level authorisation, following a fast track procedure (i.e. the ongoing preliminary assessment will not be completed, beyond the information included in the updated CR)¹.

- T2S-0720-URD (Rule-based liquidity transfers between a T2S DCA and a MCA (CLM))

Outcome

CRG members took note of the results of the preliminary assessment of CR-720. On account of the high costs involved and of the complexity of the requirements of the CR, the CRG agreed that having indicative business values for three subsets of requirements of CR-720 would help refine the analysis of the business case for CR-720. In case of diverging business values, some CRG members mentioned the possibility of not pursuing some of the requirements from CR-720, or raising them as a separate CR.

The envisaged subsets of requirements are:

- Case 1 - Failed settlement mechanism, triggered periodically
- Cases 2 & 3 (combined) – Floor-based and ceiling-based mechanism
- Case 4 – Cut-off based mechanism to cover a negative balance on an NCB account

CRG members agreed to take the business value of each requirement into account when considering a recommendation to the Steering Level on CR-720 during the next CRG meeting. Going forward, a CRG member suggested that potential improvements to T2S auto-collateralisation might also be worth investigating, as another way to improve intraday settlement efficiency in some markets.

Follow-up action:

- CRG members to provide their views on open issues listed by 4CB following the preliminary assessment of CR-720, as well as additional comments or questions [17 July 2020]
- CRG members to provide business values for each of the abovementioned subsets of CR-720 requirements [7 September 2020]

3.3.2 Candidates for preliminary assessment / Newly raised CRs

- T2S-0737-URD (Conversion of annual into daily rate for the application of the Cash Discount Penalty Rate)

Outcome

¹ After the CRG meeting, additional updates to CR-700 were made, and the CRG confirmed its recommendation via a written procedure ending on 9 July 2020.

Following a clarification by the ECB team that the purpose of the CR is to address one potential source of operational risk in T2S, the CRG agreed to launch the preliminary assessment of CR-737.

4. Clarification notes

- CRG-PBR-0022 (Editorial updates to make cash forecast description consistent)

Outcome

The CRG requested that in the clarification note CRG-PBR-0022, footnotes should be proposed for inclusion in the UDFS and UHB to clarify that the meaning of “projected balance” differs between these two documents.

Follow-up action:

- ECB team to include in CRG-PBR-0022 UHB and UDFS footnotes clarify that the meaning of “projected balance” differs between these two documents [3 July 2020]
- CRG members to provide questions/comments on CRG-PBR-0022 [7 September 2020]

5. Any other business

- Partial settlement leaving a remaining quantity lower than the MSU (VP Securities)

Outcome

VP Securities drew the CRG’s attention to an existing T2S functionality, whereby T2S automatically cancels matched, partially settled instructions whose remaining quantity is lower than the minimum settlement unit (MSU) of the ISIN being settled. In the view of VP Securities, there is no clear business need for this functionality, which can result in some instructions never settling in full (i.e. for the quantity originally instructed). CRG members agreed with that view, and invited VP Securities to raise a CR to skip the revalidations which currently trigger such automatic cancellations.

Follow-up action:

- VP Securities to raise a CR to adjust the current T2S revalidations, so that a remaining quantity lower than the MSU would not trigger an automatic cancellation of that instruction by T2S [17 September 2020]

- Way forward on INC263753 (PFOD with external CSD)

Outcome

The CRG took note that based on the feedback received after the CRG meeting on 26 May 2020, there was a consensus among CRG members that T2S should allow the settlement of PFOD instructions with external CSDs. While 4CB explained that the current behaviour (automatic cancellation of PFOD instructions with external CSDs after matching) is consistent with the design of T2S, several CRG members mentioned that in their view, this could also have been considered as a production problem. In the interest of a timely resolution, Clearstream agreed to raise a CR to modify the T2S behaviour, targeting the earliest possible T2S release.

Follow-up action:

- Clearstream to raise a CR to ensure that T2S is able to settle valid PFOD instructions with external CSDs [17 September 2020]

- Follow-up note on the 20/5 workshop on NTS algorithms
- Banque de France scientific paper 'Securities and cash settlement framework'

Outcome

The CRG took note of the brief summary provided by Banque de France on their scientific paper, and invited the ECB team to add it as an annex to the follow-up note on the 20 May 2020 workshop on NTS algorithms.

Follow-up action:

- CRG members to provide comments/questions on the follow-up note and/or the Banque de France article [7 September 2020]
- 4CB to update the document 'T2S NTS Algorithms Objectives' at the earliest possible occasion [date to be defined]

- Updated CRG ranking

Outcome

The CRG agreed to the publication of an updated version of the CRG ranking, taking into account the CRs recently authorised (CR-723 Introduce reason code as parameter for T2S message subscription logic; CR-738 Bypass check on issuance account for PFODs on a multi-issued ISIN).

Taking note of the relatively low ranking of these CRs (#32/38 and #31/38), the Chairperson invited CRG members to systematically provide business values in the future, to ensure that the CRG reflects business priorities as accurately as possible. A CRG member suggested to further increase the visibility of the requests for business values sent by the CRG Secretariat by sending such requests in a separate email.

Follow-up action:

- ECB team to inform the PMG of the updated ranking, and publish it [3 July 2020]
- ECB team to initiate a full review of the CRG ranking [17 September 2020]

5.1 CRG meeting dates

The following CRG meetings are planned in 2020 (to be confirmed at least 4 weeks in advance; *italics*: GUI workshops of relevance to CRG members):

9 July 2020	09/07 10:00-12:00	Teleconference (CR-680 / CR-714)
17 September 2020	17/09 10:00-16:00	Teleconference
October 2020 (if needed)	Dedicated GUI session	Non T2S-specific screens
18 November 2020	18/11 10:00-16:00	Teleconference

Outcome

CRG members took note that they would be invited to participate in the following written procedures over the summer period:

- Review of draft scope defining documents for release 4.2 (July 2020)
- Recommendation of the CRG to the PMG on the implementation of CR-706 (Billing common component – T2S Migration) following its detailed assessment (July 2020)
- Recommendation of the CRG to the PMG on the implementation of CR-738 (Bypass check on issuance account for PFODs on a multi-issued ISIN) following its detailed assessment (August 2020)
- Recommendation of the CRG to the T2S Steering Level on the authorisation of CR-733 (Definition of a classification of transactions for CB T2S data) following its preliminary assessment (August 2020)

CRG members also took note that the CRG mandate would be revised in the coming months, in line with the External Examiner's recommendations and the guidance provided by the T2S Steering Level.