

Outcome of the Change Review Group (CRG) meeting

23 January 2019

1. Introductory session

Outcome

The CRG chairperson, Dimitri Pattyn, welcomed the participants and thanked his predecessor, George Kalogeropoulos, for the quality of the CRG work under his chairmanship.

The chairperson informed CRG members that since the last CRG meeting:

- VP LUX had terminated the T2S Framework Agreement (FA) on 28 December 2018;
- an updated version of the FA Schedule 6 (Service Level Agreement) had come into force on 22 December 2018;
- CR-686 (Enhanced reporting for market claims and transformations) had been approved for T2S Release 3.0 by the T2S Steering Level on 19 December 2018;
- TIPS had successfully gone live on 30 November 2018;
- the User Detailed Functional Specifications document (UDFS v1.1) for the T2-T2S Consolidation was delivered for public consultation until 5 April 2019.

The ECB team further informed CRG members of the following points:

- CRG members are invited to review draft updated versions of the T2S Scope Defining Documents (SDD) until 8 February 2019;
- the PMG Secretariat has initiated a consultation to collect proposals for potential improvements to the T2S Operational Governance Processes Framework (OGPF), until 31 January 2019;
- following recently agreed changes to CR-609 to use the reason code CYCL instead of FUTU for failing instructions in accordance with SMPG standards, the CSDR Task Force agreed to share with ESMA the fact that the code 'CYCL' was not included in the list of reason codes of the Regulatory Technical Standards (RTS) on Settlement Discipline.

Follow-up action:

- CRG members to liaise with their representative in the PMG to suggest any potential improvement to the OGPF [31 January 2019]
- CRG members to review the draft updated SDD [8 February 2019]

2. CRG action points list

Outcome

The ECB team provided an update on the status of open CRG action points.

In particular, on T2SACTION-3693, CRG members took note that the following CRs had been withdrawn by their initiators:

- CR-519 (Add Short/Long Indicator for all positions/sub-positions in Statement of Holdings)
- CR-571 (Availability of Business Sending Party/User as additional parameters for the configuration of Case 1 Restriction Types)

- CR-586 (For auto-collateralisation reimbursement instruction(s), sese.032 messages sent to the credit provider should contain the pending reason code PRCY)
- CR-619 (Additional validation rules for SAC-DCA links)
- CR-682 (Transaction ages up to 15 days should be differentiated by the settlement optimisation process)

On T2SACTION-3675 (Status update on the registration of Pilar III messages), CRG members took note that the billing messages camt.076 and camt.077 would not be sent for registration for the time being, but at a later point in time.

Follow-up action:

- CRG members to provide comments on the proposed closure of action points to the ECB team [22 February 2019]

3. Analysis of change requests

3.1 T2S Change and Release Management principles

Outcome

CRG members took note of the principles presented to the T2S Steering Level on the proposed management of changes with could potentially have an impact on the common components of the TARGET Services. The chairperson clarified that the business relevance of such changes remains with the initiated governance arrangements of the relevant TARGET service or ECMS. However, in case such change has an impact on T2S, the CRG would, as today, have the opportunity to conduct a functional impact assessment. Any Change Request affecting common components should be shared with the other TARGET Services or ECMS as soon as possible, to streamline the assessment process.

In anticipation of the revision of the Operational Governance Processes Framework, the Chairperson invited the CRG members to take these principles into account when analysing the impact in T2S of CRs raised in another TARGET service.

3.2 Already ranked/authorised change requests

T2S-0654-URD (T2S Penalty mechanism)

Outcome

CRG members took note of the results of the detailed re-assessment of CR-654, including the addition of a new annex covering the activation of the penalty mechanism in T2S. From a functional perspective, CRG members agreed to recommend to the PMG the inclusion of CR-654 in T2S release 4.2 (November 2020).

CRG members took note that the 4CB planned to further update the draft message for the reporting of penalties, to address outstanding comments by some CSDs on discrepancies with equivalent ISO15022 messages. Further changes may also result from the modelisation phase of the message.

CRG members agreed to inform the T2S Subgroup on Message Standardisation (SGMS) of the planned message for the reporting of penalties once a stable draft is available.

Follow-up action:

- ECB team to provide a stable draft of the message for the reporting of penalties to the SGMS [target date to be defined]

T2S-0685-URD (T2S Penalty mechanism for non-T2S settlement flows)

Outcome

CRG members took note of the results of the detailed assessment of CR-685. The Clearstream representative informed the CRG that Clearstream would not make use of the functionalities defined in the CR. In the upcoming CSG, other CSDs are expected to express their views on whether they plan to

use the CR or not. CRG members agreed to inform the PMG that the CRG had no outstanding questions on the functional aspects of the solution designed for CR-685.

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

Outcome

CRG members agreed to inform the PMG that CR-668 was not stable enough and rather complex for an immediate launch of its detailed assessment, but that the CRG aimed at stabilising and complementing the requirements of CR-668 by end-March 2019.

Follow-up action:

- ECB team to inform the PMG that CR-668 is not stable enough and too complex for an immediate launch of its detailed assessment [24 January 2019]
- 4CB to propose alternative implementation options, with less impact to address the underlying business need of CR-668 [15 February 2019]
- ECB team to arrange a dedicated CRG teleconference to discuss the 4CB proposal and the way forward on CR-668 [22 February 2019]

3.3 Preliminary assessed change requests

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

Outcome

CRG members agreed that this CR can qualify as common, as it is expected to facilitate, in particular for NCBs and their counterparties the seamless integration of ECMS into the operational framework of settlement activity in T2S. As a result the expected benefits are relevant for the whole T2S community including collateral providers and takers. CRG members agreed to share this view with the T2S Steering Level.

CRG members took note of the results of the preliminary assessment and concluded that updates to the CR were needed to reflect the following points:

- sub-pledge scenarios, whereby a securities account can hold pledged and non-pledged positions simultaneously, are not covered by the CR-680;
- the configuration of securities accounts by CSDs, implied by CR-680, is a standard activity of CSDs and does not constitute an operational risk;
- T2S could produce flat file reports either in full mode or in delta mode. Full mode reports would only be available after the end of T2S night-time settlement, while delta mode reports would be produced earlier, at end-of-day;
- current T2S report management and configuration is unaffected by CR-680.

In addition, some CSD representatives in the CRG highlighted that beyond T2S Change and Release management, CSDs would welcome further information about the activities that CSDs will need or may need to undertake as a result of the ECMS project, such as changes in the setup of NCB accounts.

Follow-up action:

- ECB team to inform the ECMS project team of the outcome of the CRG discussion [1 February 2019]
- ECB team to seek a recommendation, via a written procedure, of the CRG to the T2S Steering Level on an updated version of CR-680 [22 February 2019]

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

Outcome

CRG members took note that the initiator had no requirement to restrict the possibility of modifying the issue date of a security to a date in the past, and agreed to recommend CR-681 for authorisation by the T2S Steering Level

T2S-0684-SYS (Handling for outbound messages with amounts exceeding 15 digits)

Outcome

CRG members took note that the OMG supported the implementation of CR-684 over the current behaviour of T2S, and agreed to recommend CR-684 for authorisation by the T2S Steering Level.

3.4 Candidates for preliminary assessment

T2S-0690-SYS (Unprune fields in settlement alleggements)

Outcome

CRG members agreed to launch the preliminary assessment of CR-690.

T2S-0691-URD (Recycling period of 60 days for matched instructions)

Outcome

Some CRG participants raised concerns about the compliance of this CR with their legislation, and about operational impact of this CR on their market participants who currently operate on the basis that matched instructions are recycled without limit.

CRG members took note that following the CSG workshop on settlement efficiency, the CSG had requested that the OMG shall assess whether there is an issue to have many aged pending settlement instructions in T2S. As a result, the OMG initiated a discussion, from an operational perspective, of the potential relevance to activate the automatic cancellation of matched instructions by T2S after a certain period.

Considering the similarity of the ongoing OMG discussion with the requirements of CR-691, the chairperson suggested to postpone the discussion of the CR until the outcome and supporting data of the OMG discussion are available. CRG members welcome the provision of some quantitative analysis regarding the operational impact of the recycled matched instructions on the overall T2S operations. Given the divergent regulatory frameworks and business models applicable to different T2S markets, the chairperson also invited the ECB team to analyse the relevance of involving broadly representative groups, such as the AMI-SeCo, early in the discussion of CR-691. CRG members agreed to the proposals of the Chairperson.

Follow-up action:

- ECB team to inform CRG members of the outcome of the OMG discussion on the potential relevance of activating the automatic cancellation of matched instructions by T2S after a certain period of time [8 February 2019]
- ECB team to present a proposal on *ad hoc* involvement of other groups in the discussion of CR-691 [13 March 2019]

T2S-0692-SYS (Send status update message upon transition to 'Failing')

Outcome

CRG members took note that the CR aimed at formalising the activation of the full reporting functionality foreseen in CR-609, and agreed that in the absence of any software change, no preliminary assessment was needed.

Accordingly, the CRG agreed to recommend the CR for authorisation by the T2S Steering Level.

T2S-0694-URD (Inclusion of two new partial settlement windows and extension of the 08:00 and 15:45 partial settlement windows)

Outcome

CRG agreed that in the absence of any software change, no preliminary assessment was needed for the CR.

Accordingly, CRG members agreed to recommend the CR for authorisation by the T2S Steering Level, subject to the CR being updated to reflect that the new partial settlement window at 06:00 may need to be

moved forward to 05:45 in the future, due do its overlap with the schedule suggested in CR-0654 for the delivery of the reference data by the customers and the processing of data/calculation of penalties.

Follow-up action:

- ECB team to seek the agreement of CRG members on an updated version of CR-694 [31 January 2019]

T2S-0695-SYS (Trade date to become mandatory within a settlement instruction)

Outcome

CRG members agreed to launch the preliminary assessment of CR-695, and pointed out that in order to minimise implementation effort, CR-695 should only be implemented together with other CRs requiring an update of the sese.023 message definitions. The chairperson pointed out that this message should be passed to the PMG if and when the CR is authorised by the T2S Steering Level.

Follow-up action:

- ECB team to inform the PMG that CR-695 should only be implemented together with other CRs requiring an update of the sese.023 message definition [upon authorisation of CR-695]

4. Any other business

T2S-0600-SYS in CoSD scenarios – Question raised by Clearstream

Outcome

CRG members took note of the information highlighted by Clearstream, i.e. in the case of a successful CoSD blocking, the SF1 timestamp (acceptance) for the T2S-generated restriction is only reported in the semt.016 statement (Intra Position Movement Posting Report).

CRG members agreed that this behaviour of T2S should remain unchanged.

TIPS-0002-URD – Draft T2S impact assessment

Outcome

CRG members took note that the solution design envisaged for the TIPS CR-0002 (Mobile Proxy Lookup) foresees some changes to common components (CRDM).

On the basis of the information provided about these changes, the CRG concluded that from a functional perspective, the foreseeable impact of TIPS CR-0002 on T2S Actors was acceptable.

In addition, the CRG requested that the T2S Scope Defining Documents should be updated to reflect the effects, for T2S users, of some static data objects/functions being common to several services

Follow-up action:

- 4CB to reflect in an editorial CR the effects, for T2S users, of some static data objects/functions being common to several services [12 March 2019]

Message validation post T2-T2S Consolidation

Outcome

CRG members took note of the information provided by 4CB, i.e.

- for messages used in different TARGET services (with potentially diverging business requirements), one implementation guideline per TARGET Service is foreseen by the T2-T2S Consolidation project;
- for messages sent to a common component by users of different TARGET Services, a single implementation guideline was foreseen for all TARGET Services.

The 4CB clarified that one of the reasons for having different guidelines per TARGET was to comply with ISO150022 coexistence rules applicable in the T2S context.

Delivery plan of Change Requests

Outcome

Discussion of CR-541 (Bulk-release functionality (U2A) for settlement instructions)

Given the high ranking of CR-541 and the comment currently assigned to it in the CRG ranking, the ECB team clarified that the ongoing GUI design workshops organised by the T2-T2S Consolidation project would not result in a new T2S GUI. CRG members agreed to update the comment on CR-541 in the CRG ranking to clarify that the T2-T2S Consolidation project would not deliver a new T2S GUI.

Considering the 4CB advice that a re-design of the T2S GUI, needed to implement CR-541, would not be feasible in T2S release 4.0, the chairperson invited CRG members to assess whether the optimal solution could be to update the T2S GUI only after the go-live of the T2-T2S Consolidation project.

Several CRG members were of the view that in order to determine the optimal course of action on CR-541, CRG members should first be given the opportunity to update the business value allocated to the CR.

Discussion of CR-671 (Reporting of Beneficial Ownership indicator in alleggements, status messages and settlement confirmations)

Some CRG members pointed out that in their national markets, regulatory obligations (linked to the Regulation on Markets of Financial Instruments - MiFiR) meant that CR-671 should be implemented in T2S release 4.0 (June 2020). While other CRG members reported that in their national markets, regulatory obligations could be met without CR-671, CRG members agreed to inform the PMG that CR-671 addressed a regulatory requirement in some T2S markets and should therefore be considered for R4.0 if possible.

Follow-up action:

- ECB team to update the CRG ranking to reflect the comments addressed by the CRG to the PMG on CR-541, CR-668, and CR-671, as well as the withdrawal of CR-519, CR-571, CR-586 and CR-619 [12 March 2019]
- CRG members to provide to the ECB team, if applicable, their updated business value for CR-541 [12 March 2019]

4.1 CRG meeting dates

Outcome

CRG members took note that the CRG meeting in May 2019 had been rescheduled to 21 May 2019. This meeting will be hosted by Danmarks Nationalbank in Copenhagen.

The next meeting of the CRG is scheduled for 20 March 2019, to be confirmed at the latest 4 weeks in advance.