Draft Conclusions

Meeting of the Sub-group - Message Standardisation (SGMS)

9 February 2017, from 15:00 to 17:00

Teleconference

The chairperson, Paolo Carabelli initiated the proceedings of the SGMS explaining the CR procedure to be followed until the submission of the ISO CRs.

As a first step, the SGMS is expected to provide their recommendations to the CRG for the 28th Feb 2017 CRG meeting. The CRG will then be asked to give green light for the drafting of the related ISO CRs, including a recommendation whether a CR should be raised for SR 2018 or for a later release.

For all topics were CRG recommends raising an ISO CR for the SR 2018, the 4CB will start the drafting of the ISO CR in the beginning of March 2017, including the business justification, along with the inputs from the CR initiators. The draft CRs would be reviewed by the SGMS. The final review/discussion could take place in a physical meeting of the SGMS or could be done via teleconference/Written procedure. The final ISO CRs should be ready in time to be submitted to the ISO group before the deadline of 1st June 2017.

1. Discussion on T2S CRs

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 SGMS discussed the need for more than one reference for the T2S Actor Reference. The 4CB explained that based on the sender of the message the Account owner transaction identification or the Account servicer transaction identification needs to be provided. In some cases also the Processor transaction identification needs to be provided instead.

Initially, it was proposed by the Eurosystem to add a new references block in sese.024. This would have required an ISO CR. Some members mentioned that such an ISO CR would be a good opportunity to also add the Match Reference as dedicated field in the Transaction Identification Details block. The match reference is currently reported by T2S in the Supplementary Data block, which is considered a temporary solution only.

Next it was proposed that the Processing Identification field of the Party 1 could be used to provide the T2S Actor Reference. It was discussed if this would be sufficient, as it would not be possible to differentiate between the account owner and the account servicer reference.

SGMS decision: The SGMS recommended that the T2S Reference (MITI) should be provided in the Depository field of the Delivering/Receiving Settlement Parties by un-pruning the field.

The SGMS also recommended that the T2S Actor Reference should be provided in the Processing Identification field of the Party 1 of the Delivering/Receiving Settlement Parties. However it needs to be investigated if the field could be used since it is an existing field.

Action points:

- The ECB will share the updated proposal with the SGMS by Feb 10th 2017 with the SGMS feedback expected by February 17th 2017

- The 4CB will confirm by Feb 14th 2017 if the usage of Processing Identification field of the Party 1 of the Delivering/Receiving Settlement Parties is feasible.

- The SGMS will provide feedback if they require the addition of a dedicated sub-code in the Processing Id to indicate the type of reference that is provided (account owner reference, account servicer reference etc.). Addition of such sub-code would require an ISO CR.

- The SGMS will provide feedback if they recommend raising an ISO CR to include the match reference in the Transaction Identification Details block, independent on the decision whether an ISO CR will be required for the T2S Actor reference (Party1 Processing Identification).

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

The SGMS was informed about the business need behind the change request and the need to have the possibility of adding/removing multiple cash restrictions in sese.030 was explained. There was a unanimous view that the usage of the Linkages section for the cash restriction is not preferred.

SGMS decision: The SGMS agreed that a generic block for Restriction References needs to be added under the Request Details level of the sese.030 message. Under this block the following repetitive set of fields would be added:

- Cash Restriction reference to be added

- Cash Restriction reference to be removed

- Security Restriction reference to be added

- Security Restriction reference to be removed

Action points:

- The ECB will share the updated proposal with the SGMS by Feb 10th 2017 with the SGMS feedback expected by February 17th 2017
- SGMS members will provide feedback if they prefer the solution discussed in the SGMS, or if they would rather add a list of 4 codes to indicate the action (add/remove cash reference, add/remove securities reference), followed by only on field to provide the reference. Again, the whole section of code and reference would be repetitive.

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

The SGMS discussed that the Securities settlement references should not be part of the Payment block.

SGMS decision: The SGMS agreed that the Securities Settlement References block should be added as part of the Transaction block, on the same level as the Payment block. Under this block the following fields would be added:

- Account Owner transaction identification
- Account Servicer transaction identification
- Third Party reference
- Settlement Instruction reference

The SGMS also agreed that the existing mapping of Actor Ref and MITI Ref (currently mapped by T2S to Message Identification and Transaction Identification under Payment block) should be mapped to the new dedicated fields after the related ISO CR was approved.

Action points:

- The ECB will share the updated proposal with the SGMS by Feb 10th 2017 with the SGMS feedback expected by February 17th 2017

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

SGMS members suggested to use ISO Transaction Code 'OWNI' (Internal Account Transfer) to indicate a rebalancing. In addition, the Generation Reason block could be filled with proprietary code REBL to specify the type of Account Transfer. Advantage of the solution would be that existing fields and codes could be used and that no ISO CR would be required. It was mentioned that the functionality requested by CR623 could be used to move positions between two accounts belonging to the same party, but that it could also be used (at least technically) to move positions between accounts owned by different parties, e.g. between a participant account and an account owned by the CSD. It was questioned whether this would still be in accordance to the definition of OWNI which is internal account transfer.

SGMS members agreed to investigate if usage of OWNI would be feasible and in line with the definition of the code. If this would not be the case, SGMS members would recommend to request a dedicated ISO code for rebalancing instead (ISO CR required). An alternative solution briefly

mentioned would be a change in the definition of the code OWNI, to enlarge the use cases supported from a business perspective.

SGMS decision: The SGMS recommends two proposals:

- First proposal: It has been proposed to use the code OWNI plus REBL as a proprietary code in the Generation Reason section which will not require the raise of an ISO CR.
- Second proposal: It has been proposed to create new ISO codes which will require the raise of an ISO CR.

A major part of the participants were in favour of the first proposal that is to say the usage of the OWNI code plus the proprietary code REBL.

Action point:

- Participants will have to check the usage of the OWNI code as of today in their operational teams and will provide their feedback by 17th of February 2017.

The main goal of checking for the participants is to be sure that the OWNI code will not be mis-used.

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 initial proposal presented by the Eurosystem was the addition of a new 'Counterparty Securities Sub Balance Type' block in sese.023. SGMS members agreed that the concept of 'Counterparty Information' does not exist in sese.023. Rather, the blocks should be named 'Delivering Securities Sub Balance Type' and 'Receiving Securities Sub Balance Type' in order to be in line with the standards.

SGMS decision: The SGMS suggested that instead of making the existing 'Securities Sub Balance Type' block repetitive, the block should be replaced by two new blocks 'Delivering Securities Sub Balance Type' and 'Receiving Securities Sub Balance Type' in the sese.023 and in the sese.025. The 'Securities Sub Balance Type' block is not present in any other ISO20022 messages today and therefore the requested ISO change would also not affect any other message (e.g. sese.024).

Action points:

- The ECB will share the proposal with the SGMS by Feb 10th 2017 with the SGMS feedback expected by February 17th 2017

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

SGMS decision: The SGMS agreed to the proposal made by the Eurosystem and the T2S financials team. SGMS agreed that the new fields proposed in the CR should be optional.

Action points:

- The ECB will share the updated proposal with the SGMS by Feb 10th 2017 with the SGMS feedback expected by February 17th 2017

2. Discussion on a long-term solution for the usage of Legal Entity Identifier (LEI)

The HSG proposal for a long-term solution for LEI as Party2 Identification was presented to the SGMS, but SGMS members were not in favour of the proposal. It was mentioned that the proposed solution would reduce the flexibility to provide both LEI and BIC for Party2. If usage of LEI should be encouraged, a dedicated LEI field outside the Identification block is favoured by the SGMS. Some members said that BIC branch codes are more granular than LEI codes and are widely used between counterparties to provide Party2 Identification. SGMS members mentioned that they would support the provision of LEI as separate or additional information besides the BIC as main identifier, but they objected to the idea of having to choose between BIC and LEI. In addition it was mentioned that a matching based on LEI could increase the number of mis-matches due to lesser granularity of the LEI. SGMS decision: The SGMS was in favour of the mid-term solution of keeping the LEI field outside the 'Party 2 Identification' block of the sese.023. They did not see the advantage in moving to the proposed long-term solution.

For the inclusion of LEI in T2S, two steps are needed (potentially to be part of T2S Release 2019):

1. The schema of ISO20022 messages used in T2S has to be updated to a newer ISO version. This is covered via T2S CR 612.
2. A dedicated T2S CR is required to specify which of the new fields provided via CR 612 should actually be unpruned and made available for processing in T2S. This CR has still to be raised by market participants.

For the second step, the SGMS recommended to enable/unprune the new dedicated LEI field in all ISO messages for which the new field has been added to the schema according to ISO 2016 Release (e.g. sese.028, semt.018, etc).

3. Update on ISO and T2S CRs (status and roadmap for implementation)

The ECB informed the SGMS that all ISO CRs raised by the T2S community in 2016 were approved by the ISO bodies (final approval given in the Standardization Evaluation Group, SEG)

4. Update on CRG decisions for CRs previously discussed in the SGMS

The ECB informed the SGMS that the CRG has decided to default the Corporate Action Event Type to the value 'OTHR' whenever required in sese.024. This was related to T2S CR590.