Market consultation feedback on T2S user requirements and annexes

Feedback on T2S User Requirements and Annexes

submitted by

GERMAN NUG

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Nbr	Chapter/ Annex nbr	Page	Line	Topic	Comments - NUG DE	Suggested drafting change	Confidential Y/N
1	3	13	15-23	Fails Management within the T2S deadlines	We are in favour of option 1 which is the management of specific deadlines for CSDs within the harmonised settlement window period of T2S. There should be no advantage given, neither to CSD sending on behalf of their participants nor participants sending theirs directly to T2S, as opposed to option 2 where the settlement window for T2S is not the same for the participants whether they directly send their instructions to T2S or if they go through their CSDs. A level playing field should be guaranteed between CSDs and other T2S participants in the field of fails management and securities lending operations.		N
2	8	17	18	T2S.08.310 - Applicability of thresholds for transactions failing to settle due to lack of securities	If a percentage is applied on the total number of shares or volume of securities, a rule is required that handles the resulting fractions. In general, we feel that the market should be consulted before a decision on the exact parameters for partialling transactions is taken.		N
3	8	21	11	T2S.08.410 - Applicability of thresholds to the settlement of transactions linked by T2S parties	URD defines: "T2S shall seek to apply the same partial settlement ratio to all linked transactions" - impact needs to be further analysed		N
4	5	12	18	T2S.05.120 - Intended Settlement date check	We would like confirmation that value date = trade date + 2 (VD = TD +2) will still work in T2S		N
5	3	4	1	Figure 3-1 High-level settlement timetable	The maintenance windowS for T2S, CCBM2 and T2 should be synchronised. Some market participants considered the maintenance window as being too long.		N
6	3	4	1	Figure 3-1 High-level settlement timetable	SOD - Liquidity Provisioning - we would like to reach a higher degree of automation by applying predefined rules based on the cash forecast provided by T2S: precondition of this requirement would be the provision of a more comprehensive and sophisticated cash forecast.		N
7	3	4	1	Figure 3-1 High-level settlement timetable	As part of the daytime preparation between 05:00 and 05:15, we would like a liquidity transfer between T2S and T2. An automatic liquidity transfer from the T2S dedicated sub-account to the T2 RTGS account at the end of the night time settlement and before start of the maintenance window should be foreseen.		N
8	3	4	1	Figure 3-1 High-level settlement timetable	Maintenance window for T2S - any restart of systems or other critical IT operations should be handled in a asynchronous modus to avoid problems if the restart of one of the systems fails.		N
9	3	5	1	Figure 3-1 High-level settlement timetable	Deadline for intraday DvP set to 16:00. This should be a strict deadline which means no fails management after 16:00 in order to guarantee 1 hour for treasury operations.		N
10	6	9	25+26	Information on cash needs for following settlement days	We believe that especially during the SOD when liquidity is transfered from T2 to T2S for the overnight batch, important information for example on corporate actions will not be available and therefore the cash forecast process needs to be further analysed.		N

11	6	6	2	T2S.06.070 - ability fo a T2S dedicated cash account holder to centralise all settlements on one T2S dedicated cash account	This will only be of real value once the holding of minimum reserves can as well be concentrated in one T2 account and does not require a HAM-account with each NCB in each country the participant is active.		N
12	6	12	1	Figure 6-3 Details regarding "predefined liquidity transfer orders"	The figure mentions the increase of liquidity but not the decrease (inconsistency with text on p.16).		N
13	6	15	2+3	No partial execution of "immediate liquidity transfer orders"	The treasurer should be notified if an immediate transfer order can´t be executed.		N
14	7	11	16	Additional night-time settlement cycles	Only the **capacity** to run a second overnight cycle is not precise enough, there should be at least two overnight settlement cycles.		N
15	13	15		External CSD settlement User Requirements	This process looks very labour intensive and not very automated. As a exception COSD is acceptable, if it is the basis for handling a high number of transactions as an important CSD remains outside T2S it will not be manageable.		N
16	3.1.2.3	8	8	SoD Liquidity Injection	A description "Start of Day" and it's relevant task exists in the URD document serveral times. What we could not find, was the description of a further support based on cash forecast information at Start of Day. To support **best market practice**, and to **avoid** as well **systemic risk,** T2S shall support the following : a) harmonisation between the deadline for first nighttime settlement cycle AND the provision of a cash forecast b) based on this cash forecast (where no more settlement instruction will enter in the following settlement window) T2S shall support an automated CeBM sweep from a T2 RTGS account into a dedicated T2S cash account. Banks treasurers want to use one of the following options, which they want to register in STATIC DATA c) a fixed amount - already provided by T2 d) the amount of the cash forecast plus a % rate (security margin) e) the amount of the cash forecast plus a fixed amount (security margin) f) one of the options in combination with a CAP		N
17	3.1.2.5	10	11	Maintenance window	From a cash perspective, it looks absolutely unlogical that the maintenance windows of T2 (cash) and T2S are not synchronized. Bank treasurers want as much as possible synchronised Start of Day, End of Night, End of Day cut-off times. Those events are used to either inject CeBM or to take CeBM out of T2S. Bank treasurers fear that mirroring of data will be asynchron as well, which may create major problems in case one of the 2 systems (T2 & T2S) will have a disruption.		N
18	3.1.2.6	10	17	Start of Daytime at 05:00 CET	Please read in conjunction with "Maintenance window" - previous point. In some countries night time settlement is an extremly efficient process, which settles huge numbers and values of security transactions. Therefore, bank treasurers want to have an optional automated CeBM re-transfer from the dedicated T2S cash accounts back to the T2 RTGS account. This task shall take place directly prior to the maintenance window. The URD explains that Daytime settlement will start at approx. 05:00 CET. Bank treasurers understand, that T2S requires a new CeBM liquidity injection. IMPORTANT REMARK: T2 RTGS knows since a longer time **timesensitive** payment events, e.g. CLS, margin calls from CCP's and others. We like to stress the point that harmonisation is absolutely needed, to avoid conflicting actions in the 2 systems (T2 & T2S).		N
19	3.1.4	13	entire page	Deadline for DVP (excl sec. MM-trades)	Bank treasurers want to stress the point, that after the deadline for DVP, only bilaterally agreed treasury management instructions will be settled. The time after 16:00 shall N O T be used for fails management.		N
20	3,300	15	21-Jan	Deadline 19:30 for instructions for next Nighttime settlement	Liquidity provision shall take place earlier. Bank treasurers are concerned, that the most efficent amount of CeBM can not be provided. Pls read our comment concerning Ch. 3.1.2.3 - Start of Day management		N

#	Sec	Pg	Line	Topic	Comment	Proposed change	
21	6,050	5	9-22	Relationship T2S to T2 accounts	We do not understand, why one or several dedicated T2S cash accounts must be held with the same (relevant) Central Bank. As long as bank treasurers are not allowed (monetary policy) to fulfill the entire reserve obligation of their group in one account, the Eurosystem implicitly request reserve management in several countries. Consequently the amount of reserves is blocked in a HAM or RMM in a certain country and not useable to support T2S settlement. T2S shall allow banks treasurers to mobilise reserve holdings directly after Start of Day.	Every T2S dedicated cash account with any NCB must be linked via static data registration to any T2 RTGS account or any other CeBM bearing account with any NCB	N
22	6,210	13	22-26	CSD's acting on behalf of a payment bank	We like to question, if T2S is the approriate place to memorise a flag for the existance of a contractual agreement between CSD and bank. If a CSD initiates a transfer from a T2 RTGS account, we feel, that T2 RTGS needs the same information as well.		N
23	6	12	01-Jan	predifined liquidity transfer; Fig 6-3	Figure 6-3 shows "only" INCREASE of liquidity !! Is decrease (transfer from T2S back to T2) allowed or not ???? Inconsistency with the following text p.16	add in the picture the re-transfer as well, same as shown in Figure 6-1	N
24	6.1.6.1	11 ff		Liquidity transfer orders	In any case of a non execution as requested (partial or nothing), banks want to receive immediately an ALERT in the ICM tool		N
25	6.220; 3.1.2.7 ch. 3	14; 11 5	2- 4; 11 1	Liquidity transfer at EoD back to T2; Liquidity transfers in general; Figure 3-1 High-level settlement timetable	Bank treasurers understand, that the mentioned EoD CeBM transfer is the latest automated sweep. We like to request an optional FULL liquidity sweep at (shortly after) the deadline for intraday DVP at 16:00 CET. Bank treasurers have 2 simple reasons for this request A) a bank must place excess liquidity in the market, which is still in a dedicated T2S cash account. Note: T2 RTGS can not be in DEBIT b) a payment bank, acting as a provider for a third party, MUST be able to square the remaining liuidity from a dedicated T2S cash account back to the RTGS account of the third party, because he may have to fulfill its own reserve requirement. See as well, FBE guildelines on late payments. The option to retransfer remaining cash on T2S cash accounts to T2 at 16:00 should be reflected in Figure 3-1 in ch.3 p.5.		N
26	7.1.2.2	6	2-9	priorisation of cash accounts	In each and every case, where a direct T2S member settles it's security settlement instructions by inviting an additional cash agent, the priority of usage between the existing dedicated T2S cash accounts must be predefined. This shall be part of STATIC DATA. To use priorisation of cash accounts as an agreement between an direct T2S member and its additional settlement bank is simply best market practice.		N
27	7.1.2.2	6	footnote	additional cost	Please consider in the light of the letter of German NUG to the Advisory Group, dated 3 March 2008 "Prioritisation of cash accounts (T2S-08-0033)"		N
28	13.5.2.3.	43+44		Cash forecast reports	The cash forecast offered in the URD is in the eyes of the cash experts from a very poor quality. We understand, that in the relevant TG cash experts were not present. As a minimum requirement, we request information about the potential amount of CeBM which can be generated via auto collateralisation		N
29	14,840	31	11-15	Outstanding Intra Day	see comment 13.5.2.3		N
30	5			general comment	Has the impact of binding matching for the german market been analysed, does the sending of instructions and matching of instructions follow the same pattern in the various markets (some countries do not use hold+release and only send instructions to the settlement plattform if the participiant has sufficient holding)?		N
31	5		5.3.2		URD Chapter 5.3.2 're-validation of instructions due to update of static data' should be further analysed.		N
32	5		5.5.3		Specific requirement for additional matching field of issuing date/tranche on instructions for settlement of German registered shares has been omitted from this version of the URD although it appeared in previous versions as discussed within TG2.		N
33	5.1	4	09-Jan	High-level description of lifecy	For more clarification "Query/Response" should be renamed to reflect "push/pull".		N
34	5.1	6	06-Jan	1.2. Instruction Maintenance	Unilateral cancellation possibility is the preferred option.		N
35	5.1	6	10-12	1.2. Instruction Maintanance	Hold & Release has to be a mandatory function within T2S.		N
36	5.1	8	13-15	1.5. Communication of settlem	We agree regarding the unmatched instructions and there deletion after 20 days, but we require a flexible solution for matched OTC and CCP instructions, e.g. no limitation for OTC instructions and deletion of CCP instructions same day.		N
37	5.3.1	10	17-Jan	Validation of incoming settlem	All CSDs should have one set of validation rules and there should be no different conditional rules.		N
38	5.3.1	12	18	Intended settlement date chec	No restrictions to future value day's (t+0 to t+365/unlimited), mandatory T2S holiday calendar check.		N
39	5.3.1	15	19ff	Full audit trail	It would be ideal to receive increased support from T2S: having easy access on audit trail for participants (direct users). This requires a 100% storage of data.		N
40	5.3.2	16	3-5	Re-validation after change in c	Futher analysis and examples required.		N
41	5.4.1	18	1-3	Hold and release mechanism	Hold & release mechanism has to be available for unmatched and matched instructions		N
42	5.4.1	18	5-8	Hold and release mechanism	Examples required and futher clarification needed.		N
43	5.5.1	24	7-8	Tolerance amount for matchin	One ammount would be prefered, please specify and provide backgorund information why different levels are required.		N

44	5.5.3	25	6-7	Additional matching fields	Optional matching only if field is blank from both sides, as soon as one side is entering data, field becomes a mandatory matching field.		N
45	5.7.1	27		Life cycle types	DVD; matching type's "standard", futher information is required.		N
46	4			general comment	This is too much driven by IT (already thinking in terms of tables on the database to come) and not enough enhanced with examples.		N
47	11	37	13-14	threshold on stock	This is not in line with the recommendation of the German NUG and should be discussed.		N
48	11	37	03-Jan	theshold specified by T2S	This needs to be reflected in the general terms and conditions of CSDs joining T2S.		N
49	16	25	04-Jan	consistency of maintenance responsibility in securities CSD Link	It seems as if there are still no answers to the following questions: 1) If two investor CSDs hold positions in an ISIN and the issuer CSD does not join T2S a) who decides which CSD is the security maintaining CSD b) who can force the CSD to accept this role c) what compensation does the CSD receive for the additional task and responsibility?		N
50	16	26	Table 16-8 Party Identifier	List of attributes for the Securities Settlement restrictions	Why should the settlement of an ISIN only be restricted for one party?		N
51	12	9-11	Table 12-1	use non use of capital letters for codes in the diagram	Codes used in the diagram have been explained but not the use of small/capital letters.		N
52	12	11	Table 12-1	accounts/T2S actors	Can I query all accounts held by T2S actors as public information?		N
53	12	14	8 -9	ensure delivery	T2S responsibility is not to ensure final delivery to the T2S actor, which is under the responsibility of the network provider - but this is not acceptable.		N
54	12	41	11-Jan	to whom can the report be sent	There should be a general clause to say "Reports should be received by any party whenever authorised by the account owner."		N
55	13	5	4 -5	Invoicing presentation	Why is this only an indicative split and not a proper line "third party charges", especially in case of directly connected clients as this would ensure transparency?		N
56	20	4	2 -3	T2S calendar	This is not precise enough. If T2 calendar shows non business day and NOK has become a T2S currency and it is a NOK business day, what does this mean for the T2S calendar? Only settlement of trades in NOK, irrespectively of the country the stock has been issued and what does this mean for transactions free of payment?		N
57	20	5	13 - 16	on line access to trouble mana	If a CSD has a technical problem, he can check the status of the fixing in the "trouble management system for CSDs". A directly connected T2S party will not be given access to this database - is there a good reason why?		N
58	2.5			general comment	Is settlement of non-€ currencies technically feasible from day 1? Especially the settlement in CHF for Eurex Exercise/ Assignments might need consideration.		N
59	3				The proposed timeframe for SoD procedures (18.45 - 19.30) seems very short.		N
60	13				External CSD settlement user requirements should be analysed in detail (together with Annex 10).		N
61	14, 14.1.2.			queries requirements	Like in the German settlement system, a participant of a CSD should be able to query counterparty static data on T2S; 14.030 of the URD line 7-9 on page 5 should give CSDs no competitive advantage.		N
62	21			migration	Markets to migrate before directly-connected users? The lead time should be minimised and must be fixed in advance. Testing should be available for directly connected users from the beginning.		N
63	6.1.1.1				A linking of RTGS sub-accounts to dedicated T2S cash accounts must be possible. This will allow as an option to establish a one to one relationship between a RTGS account and a dedicated T2S cash account. Not covered in the URD.		N