T2S PROGRAMME OFFICE

17 February 2016

v1.1

Contact person: Alejandro del Campo Roiz de la Parra

Phone: +49 69 1344 7910

E-mail: T2S.CRG@ecb.int

Final Summary

Teleconference of the Change Review Group

22 January 2016, from 09:00 to 11:00

held at the European Central Bank

1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants. The Chairperson informed that the aim of the teleconference was to discuss three Change Requests from the CSG Task Force on Insolvency, way forward on the inclusion of CR-547 in Release 1.2, a new Change Request related to ISO codes and a UTSG topic.

The Chairperson informed that following the CRG recommendation, the scope proposal for Release 1.1 would be sent to the Steering level for the approval. The Chairperson also informed that the CRG recommendation would be asked on the baseline scope proposal for Release 1.1.5 in the next days, which intended to include only know problem fixes. The 4CB informed that they would provide feasibility of scope proposal for Release 1.1.5, in parallel with the CRG written procedure.

2. Analysis of the change requests

The participants went through the different Change Requests (CRs) and made the below recommendations.

Change Requests from the CSG Task Force on Insolvency

Change Request T2S-0558-SYS (Enhance functionality to prevent acceptance (i.e. reaching SF1) of new settlement instructions based on the DCA holder)

The aim of the Change Request is to trigger the rejection of the settlement instructions submitted by the insolvent party or on its behalf and intended to debit the DCA of that insolvent party. It must be

possible to bypass this rejection for transactions mandated by the insolvency liquidator. This is to ensure an acceptable level of operational risk in case of insolvency of a DCA holder.

The 4CB presented their analysis on following three options for implementing the Change Request:

- Option 1: Enabling MSAs for DCA and use of DCA in restriction rule configuration,
- Option 2: Update of the rule base model by adding new insolvency parameters at party level,
- Option 3: Implement 2 new Restriction Types at the level of SAC and DCA which will be checked at validation level and reject settlement instructions which intend to debit the accounts. This option also involves activation of a system parameter by the T2S Operator called "Insolvency Status" to indicate whether the checks for the restriction types need to be done.

The 4CB explained that the Option 3 would result into lower performance impact, operational impact, user's configuration effort and associated risk as well as it brings harmonisation compared to Option 1 and 2. Also, Option 3 would be possible to implement before Release 2.0 whereas Option1 and 2 would not possible to implement before Release 2.0. The 4CB also clarified that implementation of CR-547 is prerequisite for implementing Option 1 and 2 which was not the case for Option 3.

A CRG member suggested that the "Insolvency Status" should be possible to update automatically in case of insolvency. Some CRG members were of the opinion that the new restriction as part of Option 3 should also be possible to be applied at Party level. This could help when a Party owns large number of accounts and all of them need to be blocked in case of insolvency. The CRG acknowledged that the requirement came from the CSG Task Force on Insolvency specifically asked for the rejection of settlement instruction at DCA (account) level. Also, the 4CB explained that implementing the rejection at Party level will bring additional impact due to software changes that would be required to add checks to the object party. The CRG agreed to report to the CSG about the possible enhancement of the solution in the longer term for enabling the restriction at Party level as well automatic flagging of the system parameter related to Insolvency flag.

For the requirement related to bypassing the rejection for the Insolvency Liquidator's instructions, the CRG acknowledged that CSD may not be the only entity who will send such instruction as in at least one market CCP could also play this role. This will be reported to the CSG. The CRG discussed proposed two possible options of using a specific ISO transaction code (e.g. AUTO) or a specific code word for insolvency (e.g. BYPASS) in the Common Trade Reference field. The CRG acknowledged that currently there is no ISO transaction type code available which can be used for identifying the liquidator instructions. A CRG member expressed that the specific code word for liquidator could possibly be used by any T2S Actor as such use cannot be restricted in T2S. The CRG member suggested that a combination specific code word and Instructing Party = CSD could be used by the liquidator for such instructions which needs to be bypassed. The CRG member also mentioned that a CCP when sending instruction as liquidator they could use the feature to bypass by using a specific code word in combination with CSD as instructing party, namely by getting temporarily from the CSD the privilege to instruct in the name of the CSD. The 4CB agreed to update the presentation to include feasibility of the options proposed for bypassing the rejection for the Insolvency Liquidator's instructions, based on a suggestion made by a CRG member.

The CRG agreed to check with the CSG on the possibility of using Option 3 in the operational procedures also for indirect parties as well as the clarification on the moment of declaration of insolvency to trigger the procedures. The CRG agreed to present the outcome of the CRG discussion because the OMG will be defining the operational procedure in MOP for managing the insolvency.

A CRG member suggested that the opinion on the DCP-G should be asked on the solution for the Change Request as they are close to the clients of the CSD/NCB, however the CRG was of the view that the DCP-G opinion was not required as the objective of the Change Request was to manage the insolvency of CSD participant or Payment Banks and not their clients.

The CRG was in favour of Option 3 for implementing the Change Request. The CRG agreed that the Change Request should be updated to include Option 3 and then it could be recommended for the detailed assessment in a written procedure. Some CRG members were not in favour of starting the detailed assessment immediately and preferred a written procedure to check with their markets. The CRG also acknowledged that the Option 3 could, from the technical point of view, additionally facilitate the insolvency procedure for indirect participants (clients of Payment banks and CSD participants).

CRG decision: The CRG put Change Request on hold and the agreed that the Change Request should be updated to include Option 3 and then it could be recommended for the detailed assessment in a written procedure.

Action points:

- The ECB will update the Change Request T2S-0558-URD to include Option 3 (Implementation of 2 new RTs at the level of SAC and DCA to be checked at validation level).

- The 4CB will update the presentation to include the possibility of CCP sending the Liquidator's instruction.

- The CRG will report the CSG (i) on the possible enhancement of the solution in the longer term for enabling the restriction at Party level and an automatic flagging of the system parameter related to Insolvency flag (ii) the requirement related to bypassing the rejection for the Insolvency Liquidator's instructions where the CSD may not be the only entity who will send such instruction, at least in one market a CCP may also need to send instructions on behalf of the liquidator (iii) the possibility of using option 3 in the operational procedures also for the insolvency of indirect parties (iv) the moment of declaration of insolvency to trigger the procedures needs to be determined as part of the operational procedures

- The CRG will inform the OMG that the moment of declaration of insolvency to trigger the procedures needs to be determined as part of the operational procedures

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

Discussion on this topic postponed to the CRG meeting of 8-9 February 2016, due to lack of time.

Change Request T2S-0560-SYS (Enhance sese.024 to include accepted/matched timestamp)

Discussion on this topic postponed to the CRG meeting of 8-9 February 2016, due to lack of time

Change Requests from the market for Release 1.2

Detailed assessment of Change Request T2S-0547-SYS (Enrich a settlement instruction with the default DCA at the acceptance)

The aim of the Change Request is that when the DCA is not included in a settlement instruction (SI), T2S should enrich the SI with the default DCA configured in Static Data at the initial Instruction Validation process. This Change Request is related to a ticket with the defect number PBI000000001769 (Settlement Instruction Details screen for T2S Reference 1405270000246384 shows a blank DCA)

The CRG acknowledged that the Change Request is crucial for including SI with default DCA and resolving the issues with the cash forecast report which is a showstopper for German market for their migration.

CRG members from the Italian market informed that the Italian market needs the default DCA functionality to support their fast-track procedure to manage insolvency of clients of the payment bank, therefore the implementation of this Change Request would result into serious legal financial risk for the Italian market. In this context, the Italian market informed that they could support the Change Request on condition that (i) either the Change Request should be amended to introduce a possibility to update default DCA filled in the instruction when changed or (ii) being deployed to PROD together with CR-0558 or (iii) or deployment of additional tools to manage the insolvency of the clients of the payment bank. The Italian market CRG members informed that the Italian NUG will discuss again the CR 547 in light of the fact that CR 558 could help them to manage an insolvency of an indirect client. In addition to that, they want to discuss a change of the set-up of their indirect clients in the Italian market, i.e. by using the secondary CMB. They will discuss these topics and the insolvency procedure in the Italian market without CR 547 and potentially come with more requirements by the end of February 2016.

The 4CB proposed to check whether the implementation of CR 547 could be decoupled from other changes proposed for Release 1.2, including a deadline by when this decoupling would not be possible anymore. The 4CB agreed to check if there are any other ways to fix the cash forecast report without the CR-547.

The CRG agreed that the Change Request should be recommended tentatively for Release 1.2 but the exact timing to be confirmed (either Release 1.2 or with CR 558 in a potential fast track release), to avoid any delay in the implementation of the Change.

CRG decision: The CRG put the Change Request on hold and the CRG agreed that the Change Request could be recommended tentatively for Release 1.2 with a possibility to decouple it from Release 1.2, in a written procedure.

Action points:

- The 4CB will check whether it is possible to decouple the development of Change Request T2S-0547-SYS from other CRs in 1.2 and also to provide the deadline until which such decoupling could be possible.
- The 4CB will re-check the feasibility of fixing cash forecast report without the CR-547 before the start of migration wave 4.

Change Requests from the market for future releases

Change Request T2S-0587-SYS (Alignment of ISO transaction codes across various T2S ISO messages)

The aim of the Change Request is to address the gaps in Settlement Instruction-related messages due to the inconsistency related to the ISO transaction codes. These gaps include missing Buy-in Securities Transaction type code in the incoming Settlement Instruction 'sese.023' message, missing certain ISO transaction codes in the allegement-related messages compare to the sese.023 and other gaps with regards to transaction code reporting in the sese.023 versus other related messages.

A CRG member explained that the Change Request was raised to cater the business cases for which the existing securities transaction type codes supported by allegement messages are not sufficient mainly to support the issuance related processes and subscription/redemption of debt securities. In addition, the Change Request also included other requirement to fully align the list of ISO codes among the settlement related messages.

The CRG agreed to send the Change Request to the SGMS for their opinion.

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

Action points:
- The CRG will send the Change Request T2S-0587-SYS to the SGMS for their opinion.

3. Input requested by the User Testing Sub-group

UT-PBR-056 (semt.033 - presence of Securities Account - updated with BAH information)

Discussion on this topic postponed to the CRG meeting of 8-9 February 2016, due to lack of time

4. Any other business

Next CRG meeting was planned on 8 and 9 February 2016.