AMI-SeCo
22 June 2018
A-item

Status update on T2S CRG activities

15 June 2018

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1. Introduction

This note provides a status update from the ECB team to the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) on topics related to T2S Change Request Management process.

Since the last update to the AMI-SeCo in March 2018, seven change requests (CR) were added to the scope of T2S release 3.0, and the first two CRs were added to the baseline scope of T2S release 3.2. In addition, the note also includes information about other changes in CR statuses, as well as operational topics referred to the CRG for functional analysis.

Assuming no objection from the CSG by 19 June 2018, the updated Schedules 8 and 9 to the Framework Agreement and the new T2S Operational Framework are applicable as of that date. The future updates to the AMI-SeCo on change requests and CRG activities will reflect the CRG role and tasks as described in a dedicated note.

2. T2S release 3.0

2.1 CRs approved for R3.0

The below table includes the delta of the CRs approved by the T2S Steering Level for the T2S Release 3.0 (June 2019) since the last reporting to the AMI SeCo. Seven CRs (CR-520, CR-542, CR-543, CR-587, CR-590, CR-652 and CR-670) were added (see hyperlinks below for a detailed description) to the release 3.0 baseline scope.

CR ID	CR Title	T2S Release	AMI-SeCo consultation
T2S-0520-SYS	Add new fields to T2S messages sese.020, sese.024 and sese.025 needed for CA processing	R3.0	23 to 27 April 2018
T2S-0542-SYS	Enrich the Bank To Customer Debit/Credit Notification (camt.054) with data elements securities account Owner Parent BIC and securities account Owner Party BIC	R3.0	23 to 27 April 2018
T2S-0543-URD	Minimum amount for auto-collateralisation transactions	R3.0	23 to 27 April 2018
T2S-0587-SYS	Alignment of ISO transaction codes across various T2S ISO messages	R3.0	23 to 27 April 2018
T2S-0590-SYS	Include information from the underlying settlement instruction in the T2S 'Bank to customer statement (camt.053)' and in the T2S 'Bank to customer debit credit notification (camt.054) messages for Settlement, Custody/Asset servicing and Reconciliation	R3.0	23 to 27 April 2018
T2S-0652-SYS	Increase the limit of distinct values for the parameters relating to message subscriptions	R3.0*	7 to 12 June 2018
T2S-0670-SYS	Logical deletion and purge of matured ISINs together with their related links	R3.0	23 to 27 April 2018

CR ID	CR Title	T2S Release	AMI-SeCo consultation

The full list of the 11 CRs already approved by the T2S Steering Level for T2S R3.0 can be found on the ECB website: https://www.ecb.europa.eu/paym/t2s/progress/pdf/crg/scope/t2s_release_3-0_scope.pdf

2.2 Update of T2S scope-defining documents for R3.0

Compared with the last status update, one additional editorial CR was approved at T2S Steering Level following the advice of AMI-SeCo as summarized in the table below. These editorial changes will be included in UDFS 4.0 and UHB 3.0, to be published in January-February 2019.

CR ID	CR Title	T2S Release	AMI-SeCo consultation
T2S-0676-SYS	Multiplex Editorial Change Request on UDFS and UHB	R3.0*	7 to 12 June 2018

* Subject to a decision of the Market Infrastructure Board not available at the time of drafting, expected on 19 June 2018. An oral update will be provided to the AMI-SeCo on 22 June 2018 if necessary.

3. T2S release 3.2

3.1 CRs approved for R3.2

The below table includes the CRs approved by the T2S Steering Level for the T2S Release 3.2 (November 2019) since the last reporting to the AMI SeCo. For the time being, these are the only CRs for T2S R3.2. A detailed description per CR is available in the hyperlinks provided below.

CR ID	CR Title	T2S Release	AMI-SeCo consultation
T2S-0613-URD	T2S should give the possibility to receive outbound T2S messages bundled in files	R3.2*	7 to 12 June 2018
T2S-0653-URD	Partial release functionality	R3.2*	18 to 24 May 2018

* Subject to a decision of the Market Infrastructure Board not available at the time of drafting, expected on 19 June 2018. An oral update will be provided to the AMI-SeCo on 22 June 2018 if necessary.

During the AMI SeCo consultation on CR 653, three users (State Street, Deutsche Bank, JP Morgan) requested further analysis regarding the expected benefits from the CR, underlining that the CR was not in line with current market practices (and also unlikely to trigger changes in current market practices). An NCB (Bank of Slovenia) also supported a more detailed cost-benefit analysis of the CR before further decision. On the other hand, BNYMellon and Clearstream explicitly expressed support for the CR. (See Annex 1)

During the AMI-SeCo consultation on CR-613, two comments were received from AMI-SeCo members. One AMI-SeCo member pointed at the need to discuss the transmission of the cost savings expected from CR-613 along the custody chain, and another member advised that CR-613 should be a specific

change request rather than a common one (see Annex 1 for the full comments). These were conveyed to the T2S Steering Level by the ECB team.

The CSG approved both CRs during its meeting on 14 June 2018

4. Other CRs

This section includes CRs which have not been allocated to the baseline scope of a T2S release yet, if their status has changed since the last update to the AMI-SeCo.

4.1 CRs on hold

The CR-606, CR-609, CR-614 and CR-654 have been put on hold until the timeline for the applicability of the CSDR is clarified by the European authorities. Based on the latest information available, it is expected that the CSDR provisions relevant to T2S participants will become applicable in September 2020. In addition, the T2S CSDs have clarified on 14 June 2018 their support for the implementation of the T2S penalty mechanism CR (CR-654).

Once a target release is defined by the RMSG considering the updated timing constraints, the feasibility of implementing the CRs in these target releases will need to be reassessed by the 4CB. As of 15 June 2018 and based on the latest discussions in the T2S Governance at both steering and technical level, the most likely target releases are T2S R4.0 (June 2020) for CR-606, CR-609 and CR-614 and R4.2 (November 2020) for CR-654. The tables below include further information about these four CRs which have already been detailed assessed, but not yet allocated to a release.

4.1.1 CR-606

CR ID	**T2S-0606-SYS**
CR Title	T2S should maintain and report information related to 'Place of Trade' and 'Place of Clearing' of a settlement instruction consistently across T2S messages
CR Description	The CR foresees that the Place of trade and Place of clearing are included in T2S messages/reports. The purpose is to facilitate compliance of the CSDs with the CSDR.
CR Initiator	CSDR Task Force
CR Ranking	# 05 / 57
Status	Detailed Assessed – On hold
Cost	Development cost: EUR 434,013.48 Operational costs: EUR 276,947.05

4.1.2 CR-609

CR ID	**T2S-0609-SYS**
CR Title	Reason code FUTU (Instruction is awaiting the settlement date) should not be used for unmatched instructions.
CR Description	The aim of the CR is to include the matching status 'unmatched' in status advice messages whenever the status advice message reports a pending reason code for unmatched instructions.

CR Initiator	CSDR Task Force
CR Ranking	# 06 / 57
Status	Detailed Assessed – On hold
Cost	Development cost: EUR 1,024,459.22 Operational costs: EUR 336,360.42

4.1.3 CR-614

CR ID	**T2S-0614-SYS**
CR Title	Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported
CR Description	The aim of the CR is to include the matching status 'unmatched' in status advice messages whenever the status advice message reports a pending reason code for unmatched instructions.
CR Initiator	Euroclear.
CR Ranking	# 20 / 57
Status	Detailed Assessed – On hold
Cost	Development cost: EUR 66,121.39 (assuming joint implementation with CR-609) Operational costs: N/A (assuming joint implementation with CR-609)

4.1.4 CR-654

CR ID	**T2S-0654-SYS**
CR Title	T2S Penalty Mechanism
CR Description	The CR foresees that T2S calculates penalties applicable to failing transactions and reports them, on a voluntary basis, to the CSDs in charge of applying them.
CR Initiator	CSDR Task Force
CR Ranking	# 02 / 57
Status	Detailed Assessed – On hold
Cost	Development cost: EUR 3,457,388.20 Operational costs: EUR 336,860.17

4.2 CRs included in the CRG ranking

On 26 March 2018, CRG members requested that preliminarily assessed CRs whose requirements were now considered stable and complete by the CRG be included in the CRG ranking of CRs following a partial review exercise.

On 7 May 2018, the CRG members agreed on an updated CR ranking, taking into account the business values provided by the CRG members to the ECB team in a written procedure completed on 13 April 2018. The partial review of the ranking focused on CRs T2S-0544-URD, T2S-0671-SYS and T2S-0675-SYS, presented below.

CR-671 and CR-675 entered the ranking at rank 30/57 and 54/57 respectively. CR-544 moved up to rank 52/57 from rank 57/60[1]. The updated ranking has been communicated to the RMSG as an input for release planning. The next review of the CR ranking is expected to be a full review (including all CRs previously ranked) taking place in Q4 2018.

The full updated ranking is publicly available on the ECB website. CRs included in the CRG ranking stand ready to be detailed assessed as per the T2S operational governance procedures.

4.2.1 CR-544

CR ID	**T2S-544-URD**
CR Title	Retroactive Cash Restriction (Cash Blocking and Reservation)
CR Description	The aim of the CR is to enable user to amend an existing settlement instruction to add or remove cash restriction references.
CR Initiator	German National Stakeholders Group (NSG)
CR Ranking	# 52 / 57
Status	Stable and complete requirements, ready to be detailed assessed
Cost	Financial impact parameter: High (EUR 400.000 to EUR 700.000)

4.2.2 CR-671

CR ID	**T2S-0671-SYS**
CR Title	Reporting of Beneficial Ownership indicator in allegements, status messages and settlement confirmations
CR Description	The CR foresees that when an instruction implies a change of beneficial owner, this info is stored in T2S and reported in outbound messages. The purpose is to facilitate banks compliance with MIFIR.
CR Initiator	Clearstream
CR Ranking	# 30 / 57
Status	Stable and complete requirements, ready to be detailed assessed
Cost	Financial impact parameter: Medium (EUR 200,000 to EUR 400,000)

4.2.3 CR-675

CR ID	**T2S-0675-SYS**
CR Title	Add ISIN as Search Criteria in Eligible counterpart screen
CR Description	This CR foresees that it should be possible to query via T2S GUI Eligible counterpart CSDs for one particular ISIN, instead of all ISINs. The purpose is to make the underlying operational process leaner.
CR Initiator	Euroclear
CR Ranking	# 54 / 57
Status	Stable and complete requirements, ready to be detailed assessed

[1] As 5 CRs were withdrawn and 2 new CRs achieved stable and complete requirements since August 2017, the size of the ranking decreased from 60 to 57 CRs.

Cost	Financial impact parameter: Low (less than EUR 100,000)

4.3 New preliminary assessments

The preliminary assessments of two CRs were delivered on 11 June 2018 and are scheduled for CRG discussion on 4 July 2018.

4.3.1 CR-668

CR ID	**T2S-0668-SYS**
CR Title	Provide the T2S reference of the linked instructions preventing settlement
CR Description	The CR foresees that when an instruction cannot settle because of the non-settlement of a linked instruction, T2S shall provide the T2S reference of that linked instruction. The purpose is to facilitate the analysis and resolution of settlement failures.
CR Initiator	Euroclear
CR Ranking	N/A (not authorised yet)
CR Classification	N/A
Status	Preliminary assessment delivered, scheduled for CRG discussion on 4 July 2018.
Cost	Financial impact parameter: High (EUR 400,000 to EUR 700,000)

4.3.2 CR-677

CR ID	**T2S-0677-SYS**
CR Title	During partial settlement windows, recycling should only be triggered after an optimization attempt
CR Description	The CR foresees an adjustment of the T2S recycling logic, to give precedence to the optimization of the unsettled portion of the partially settled transaction. The purpose of the CR is to avoid unnecessary numerous partial settlements.
CR Initiator	Clearstream
CR Ranking	N/A (not authorised yet)
CR Classification	N/A
Status	Preliminary assessment delivered, scheduled for CRG discussion on 4 July 2018.
Cost	Financial impact parameter: Low-Medium (EUR 100,000 to EUR 200,000)

5.   Functional analysis of operational topics

Since the last reporting to the AMI-SeCo, the CRG performed a functional analysis of the following production problems/incidents and operational topics.

- **Settlement Transaction age in optimisation algorithms**

  The CRG members agreed to seek input from the CSDR Task Force about the consistency of T2S settlement algorithm rules with the settlement discipline framework and related buy-in procedure. The Task Force will discuss this topic on 19 June 2018.

- **Proposed reordering of settlement optimisation algorithms during real-time settlement**

  CRG members had no objections regarding the functional aspects of the reordering of optimisation algorithms proposed by the 4CB and referred by the OMG to the CRG.

- **SDD-PBR-0039** (Counterparty's Settlement Instruction on Hold / Release Status Advices won't be reported any longer if one of the instructions refers to a realignment instruction matched with a business instruction)

  The majority of CRG members supported the implementation of the solution described in SDD-PBR-0039 and the related updates to scope defining documents.

- **SDD-PBR-0040** (Alignment of Queries concerning Central Bank- and client-collateralisation)

  The CRG agreed to the implementation proposed by the 4CB in the SDD clarification note and the related documentation updates.

- **SDD-PBR-0041** (Refine search criteria definition for pending Cancellation Instructions)

  The CRG agreed to the implementation proposed by the 4CB in the SDD clarification note and the related documentation updates.

- **SDD-PBR-0042** (Creation of new business rules to prevent the deletion of a secured object/group if it is referenced in an existing object privilege assignment)

  The CRG agreed to the implementation proposed by the 4CB in the SDD clarification note and the related documentation updates.

- **SDD-PBR-0043** (New Business Rule for the cancellation of a matched / already matched Settlement Instruction due to the unsuccessful revalidation of its counterpart instruction)

  The CRG agreed to the implementation proposed by the 4CB in the SDD clarification note and the related documentation updates.

6. Annex 1 – Comments from AMI-SeCo members on CR-613 and 653

Comment number	Date of comment	Respondent	Comment
1	07/06/2018	Deutsche Bank	Deutsche Bank does not see a use case as DCP for CR 613, as we prefer real time information from T2S which allows a fast information flow back to our clients, even though we would benefit from a communication fee reduction. In ICP mode we may benefit from cost savings in the pass through of communication costs from the CSDs, however, the quantity of these cost savings are still unclear for CSD participants, but are essential for their impact assessments. As the CSDs have much higher volumes of information to retrieve from the T2S platform for both their ICP traffic and copies of data from their DCP participants, they may see significant cost reductions from making this change, which in turn may reduce pass through costs back to the CSD participants on these messages and copy messages. We appreciate that the CR is optional for users which is a

| | | | prerequisite for Deutsche Bank. It is also important that T2S guarantees the correct order of the messages in the files. If not, the recipients are exposed to the risk that certain messages (e.g. settlement confirmations) are received earlier than older status messages (e.g. matching confirmations) of the same settlement instruction. This would require significant investments for DCPs in their internal systems to bring the messages in the correct orders and to forward them in the correct order to their underlying clients.

In summary, our business value for this CR is more negative/ neutral on a stand-alone Deutsche Bank basis. However, if the CSDs can commit to passing the associated cost saving to their participants by reducing pass through communication charges, we would see value in the CR and would support it.

We would like to encourage the T2S community to re-negotiate the communication fees with their VAN-providers. In addition, we would like to ask the ECB to refrain from any T2S transmission fee increase of single messages. From our perspective one of the very important T2S benefits – real time processing and real-time information - is adversely affected by this CR, because the driver is primarily cost reduction. |
|---|---|---|---|
| 2 | 12/06/2018 | Bank of Slovenia | As the subscription to the proposed new T2S functionality will be optional, we would prefer the change request (CR) to be reclassified as a specific CR, i.e. paid by the requestor and the (optional) users of the functionality, rather than as a common change request, paid by all. |

7	22/05/2018	State Street (AMI-SeCo)	As a custodian bank managing client assets, we would typically set up a CSD account w transaction eligible for partial settlement. In most cases however, clients prefer to disa

As a result, this functionality would have very limited use to the institutional business deliver assets partially, but the buy side would not wish to receive partials therefore p

Given the recent pricing discussions around T2S, I would advise against building this fu logic to support it (whilst a cancel & reinstruct logic is common market practice and co would require a significant logic change for many participants who currently would use likely to make use of it).

I noted the comments that 2 CRG members expressed their opinion that additional co total – and how much transactions those accounts represents), and how many partial causes additional running costs (and if we can see how all the CRs that led to real func additional transaction volume (i.e. what's the payback time .. we expect XX more parti |
| 8 | 22/05/2018 | Deutsche Bank (AMI-SeCo) | In principle we support the desired outcome of CR 653, i.e. increased settlement effici

However, from an operational perspective the current proposal of the CR requires sign – Local Custodian – CSD - T2S) in order to build additional logic to integrate the partia

Within this context the benefit of this CR needs to be further assessed on all levels of t quantity. The current process is viewed as cumbersome, because the original end clien and communicated down the chain to the CSD / T2S. From our perspective the future

In general, custodians act upon client' instructions. The CSD participant/ custodian car omnibus account of the custodian' client, i.e. the global custodian/ GC. Therefore the (if their client has the available stock. Depending on their client, the GC may also need direct view of the end client position and then processed by each level of the value cha

Even if the end client indicates (via this new process) that they wish to do a partial rele client would still need to speak to their counterparty to see if the instruction on the ot

Currently, the buy side – the primary user of the omnibus account structure - usually (change of the buy side behaviour to increasingly use partial release functionality e.g. ir the investment costs on all levels of the value chain and the additional T2S costs for th

Given the recent T2S pricing discussions, we would advise to make sure the process is representatives from all levels of the settlement chain to analyse all implications and t to the entire value chain (where there are omnibus accounts at various levels), and wh |
9	24/05/2018	Bank of Slovenia (AMI-SeCo)	Based on the estimation of (high) development and operational costs we are hesitant i used by all NCBs/CSDs, we would prefer the CR to be reclassified as a specific CR, i. e. p
10	24/05/2018	JP Morgan (AMI-SeCo)	We have also discussed the proposed changes and would be supportive of a task-force
11	24/05/2018	Clearstream (AMI-SeCo)	We recommend approval of the CR, and inclusion into T2S R3.2.

12	24/05/2018	BNY Mellon (AMI-SeCo)	BNY Mellon supports the majority view of the CRG.
			The CR is desirable in itself, and will become more desirable, if not mandatory, with th