

T2S PROGRAMME OFFICE

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v1.0

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## Summary

### Teleconference of the Change Review Group (CRG)

18 May 2017, from 11:00 to 12:00

*held at the European Central Bank, Frankfurt*

#### 1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants. The CRG was informed that the aim of the teleconference was to discuss the detailed assessment of CR-646 which was raised by the Data Access Task Force (DATF), as well as the OMG proposal to have a new partial settlement window at 8.00 am, instead of 7.00 am as proposed initially in the context of the CR-641. In addition the new CR-654 on the new Penalty Mechanism from the CSDR Task Force was presented.

The Chairperson also informed that the Release Management Sub-group (RMSG) did not raise any objection on the delivery planning for the Change Requests T2S-0515-URD and T2S-0621-URD in the Release 2.0. The RMSG will closely monitor the progress of these CRs and remaining CR candidates for the Release 2.0, due to a delivery date into the test environments which is considered very close to the final deployment date of the release. Previously the RMSG raised concerns whether these two CRs should be included in Release 2.0 at all, given the short testing time.

#### 2. Analysis of the Change Requests

##### A) Detailed assessment on Change Requests

##### **Change Request T2S-0646-SYS (Pre-formatted operational reports at specific times)**

The Change Request aims at providing pre-formatted operational reports to the individual CSDs /CBs that opt for them, based on the data retrieved from T2S at specific times.

The detailed assessment showed that the Change Request would have a development cost of Euro 1,142,170.74 and yearly operational cost of Euro 100,596.45.

The 4CB informed that they propose a delivery of the functionality of CR-646 in two lots:

1. 6 reports to be made available in production on 17 March 2018.
2. Remaining reports to be made available in production as part of T2S Release 2.0 (June 2018).

In order to allow for the delivery dates mentioned, the 4CB indicated that the CSG approval would need to be obtained by 12 June 2017 so that implementation starts thereafter.

Further the 4CB explained that for the new operational reports, a new technical solution (e.g. a new fully-fledged embedded query functionality and webpages) would be required in order to avoid negative impacts on the performance and operations of the system. The underlying reason is that the reports are required to extract information from the T2S real-time settlement as well as information from the previous business day. This new functionality which will not make use of the standard T2S report generation and interface modules would be the main reason for the high cost of the CR.

The Change Request does not cover the inclusion of any billable items for the new reports as the CSG needs to be consulted about the approach for the recovery of the cost of the Change Request. A separate CR which covers the billing aspects, if required, is expected to be raised afterwards. Therefore it was agreed to seek the CSG guidance on the recovery of the cost of the Change Request (including the pricing elements).

Several CRG members mentioned that the cost of the CR was very significant and asked for ways to reduce the costs. The 4CB explained that due to the new technical solution which is required, any reduction of the scope of the CR would not lead to significant cost reductions. A CRG member stated that they do not require real-time reports. As a general comment the 4CB informed that any change of the requirements would lead to a new detailed assessment of the CR, which would delay the implementation of the functionality further.

The CRG also discussed a potential impact of the CSD-Regulation on the reports, as currently CSDR requirements are not yet stable and therefore not included in the report requirements as defined by the DATF. Especially in the light of the already high costs of CR-646, CRG members were worried that a new change request would need to be raised, with additional costs which could arise when the reports would have to be changed in the future in order to comply with CSDR. A CRG member indicated that it is not likely that a change in CSDR would dramatically change the requirements for the reports. The CRG agreed to request a confirmation from the DATF on the approach for including CSDR requirements on the operational report requirements.

Besides the discussion on costs, CRG members acknowledged that it is difficult for them to judge whether the detailed assessment covers all the initial requirements, as they have been defined not by the CRG but by the DATF. Therefore the CRG decided to ask the DATF whether the detailed assessment covers the requirements.

Finally it was mentioned that in the context of CR-646 the OMG should be informed that in its current form the Change Request envisages an operational procedure/service request via the T2S Operator to accept/update the static list of up to 50 Securities Accounts provided by each CSD. IF the OMG agrees to such approach, a new operational procedure would have to be defined.

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

Action points:

- The CRG will seek the Data Access Task Force's feedback on (i) whether the detailed assessment meets their requirements and expectations, and (ii) whether they can confirm their previous approach with regards to the CSDR requirements.
- The CRG will seek the CSG guidance on the recovery of the Change Request cost (including the pricing elements). The CRG will also inform the CSG about the possibility that the CSD Regulation might impact the Change Request's requirements and the related additional cost.
- The CRG will ask the OMG to consider that currently the Change Request envisages an operational procedure/service request via the T2S Operator to accept/update the static list of up to 50 Securities Accounts provided by each CSD
- 4CB will compile the various cost drivers mentioned in the CR to ease the forthcoming discussion.

## **B) Other Change Requests from the market for future T2S Releases**

### **Change Request T2S-0641-URD (Introduction of a new partial settlement window during the Real Time Settlement period)**

The CRG was informed about the OMG decision to have the new partial settlement window at 8:00 am (instead of 7:00 am as proposed initially), in order to gain maximum benefits from the new window in terms of settlement efficiency. The CRG acknowledged the OMG decision and agreed to the updated version of CR-641 to have the new partial settlement window at 8:00 am.

The CRG was also informed about the OMG recommendation to deploy CR-641 in the pre-production environment (UTEST) on 22 May 2017 and into T2S production on 29 May 2017.

CRG decision: The CRG confirmed their recommendation for approval of the Change Request with the new timing (8 am instead of 7 am).

### **Change Request T2S-0654-URD (T2S Penalty Mechanism)**

A representative of the CSDR secretariat introduced the new Change Request on the T2S Penalty Mechanism raised by the CSDR Task Force (CSG Task Force on CSD Regulation). The CR has an impact on the following chapters of the T2S User Requirements Document (URD):

- Chapter 3 – Processing schedule and calendar
- Chapter 13 – Messages and reports requirements
- Chapter 14 – Queries requirements

- Chapter 16 – Static data requirements

In addition a new Chapter 22 – Computation and Maintenance of Cash Penalties will be added to the URD.

The CRG was informed that the CR still contains some pending topics which are planned to be discussed in the next meeting of the CSDR TF (foreseen on 12 June 2017). Also, the CR was drafted based on some working assumptions about the future CSDR requirements which still have to be confirmed by the regulators. It was mentioned that if the clarifications to be provided would not be in line with the assumptions, this could lead to changes in the requirements and hence to an update of the CR at a later stage.

It was clarified that the CR only covers the identification, calculation and reporting of cash penalties, but not the collection and re-distribution process of cash penalties, which remains in the responsibility of CSDs and will be performed outside T2S, e.g. via TARGET2.

CRG members were asked to provide their feedback on the User Requirements listed in the Change Request. The outcome of this consultation will be used as input for a more detailed discussion on the CR in the next CRG meeting on 7 June 2017, which is open to members of the CSDR TF as well. CRG members were asked to liaise with the CSDR TF member of their institutions for any question on the CSDR TF assumptions and requirements, and also in order to validate that potential comments have not already been tackled by previous CSDR TF discussions. In case an institution does not have a CSDR TF member, CRG members are welcome to contact the CSDR TF secretariat about any questions.

CRG decision: The CRG took note of a preliminary version of a Change Request with the consolidated user requirements for the new penalty mechanism elaborated by the CSDR Task Force. The CRG put the Change Request on hold.

Action points:

- The CRG members will provide feedback on the Change Request in a written procedure from 18 to 30 May 2017.