EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REVIEW GROUP

Olivier Leveque
+49 69 1344 95182
T2S.CRG@ecb.int

Outcome

Meeting of the T2S Change Review Group (CRG)

27 November 2019, from 09:30 to 17:30

1.   Introductory session

Outcome

The CRG chairperson, Dimitri Pattyn, welcomed the participants and introduced the meeting.

In particular, CRG participants were informed of the following:

- T2S release R3.2 went live on 16 November 2019, including some large CRs such as CR-653 (Partial release functionality), CR-613 (Possibility to receive outbound T2S messages bundled in files), and CR-609 ('Failing' status for settlement instructions not settled on ISD). One of the CRs scheduled for R3.2 (CR-694, extended partial settlement windows) will be effective on 9 December 2019.

- The CSG on 24-25 October 2019 discussed the long term implementation capacity for changes in T2S, and concluded that the 4CB capacity for the next three years for the implementation of changes in T2S was broadly aligned with the demand, so that the planned capacity should remain unchanged. However, the CSG agreed that there was a need to lower the costs in the longer term.

2.   CRG action points list

Outcome

The ECB team provided an update on the status of open CRG action points. CRG members took note, in particular, of the following:

- AP-3867 ([ECB team] confirmation of the assumption that T2 won't support camt.051): ECB team confirmed that for the assessment of CR-720, the working assumption should be that T2 will not support camt.051.

- AP-3756 ([ECB team] to update CR-693 to refer to outbound liquidity transfers in general, instead of outbound liquidity transfers to an RTGS account only): CR-693 will be withdrawn as its requirements are covered by CR-709 which is proposed for R5.0 in June 2021.

3. Analysis of change requests

3.1 Change requests under implementation

- T2S-0654-URD (T2S Penalty Mechanism)

Outcome

The ECB team provided an update on the main comments received (via the CSDR Task Force) during the review of the Penalty Mechanism documentation, which was distributed to CRG early October. As a result, the CRG took note that stable documentation, including updated specifications of the new semt.044 message, would be released early December and should be considered final.

In addition, the ECB team provided an update on points recently discussed in the CSDR Task Force and their possible follow-up in the CRG:

The securities transaction type code REDM may need to be removed as a criterion for exemption from CSDR penalties.

- Official information on a postponement of the entry into force of settlement discipline provisions is expected shortly. An ESMA Q&A may document the scope of transaction types subject to cash penalties.

Follow-up action:

- ECB team to distribute stable documentation of the T2S Penalty Mechanism to the CRG members [3 December 2019]

- T2S-0658-SYS (T2S should allow and process already matched instructions with deviating settlement parameters on DELI and RECE legs)

Outcome

The CRG took note of a correction to CR-658 (transaction code SBBK corrected to BSBK in one instance).

For the sake of clarity, the ECB team presented the reporting (sese.024 status updates) expected from T2S after the deployment of CR-658. CRG members requested the inclusion of this presentation as an annex to CR-658.

Follow-up action:

- ECB team to add an annex to CR-658 describing the reporting (sese.024 status updates) expected from T2S after the deployment of CR-658 [6 December 2019]

- ECB team to inform the other T2S technical groups of the update to CR-658 [17 December 2019]

- 4CB to add one or more message examples in the T2S UDFS to illustrate the content of sese.024 status updates for already matched instructions in scenarios foreseen by CR-658. [20 July 2020]

- T2S-0668-SYS (Provide the T2S reference of the linked instructions preventing settlement)

Outcome

The CRG agreed to add, as an annex to CR-668, a presentation made to the CRG on 28 March 2019 describing complex cases. In addition, the 4CB informed CRG members that, due to the design of T2S, the CR-668 as deployed in R4.0 would include a defect, causing T2S to report incomplete or incorrect information in cases where the settlement of a transaction is prevented by a linked instruction belonging to a transaction with both legs on hold. Although T2S might report an incorrect leg as being responsible for preventing settlement, this leg is still part of the correct transaction, i.e. either the reported leg, or the corresponding matched leg, or both are preventing the settlement of the queried pending/failing instruction.

This defect could be fixed in a later release of T2S, possibly release 4.2 subject to the standard release management process involving the OMG and PMG.

CRG members agreed to review whether from a functional perspective, it would be acceptable to implement CR-668 with the defect presented by 4CB as part of R4.0, and fix this defect in a later release.

Follow-up action:

- CRG members to confirm that from a functional perspective, deploying CR-668 in R4.0 with the identified defect is acceptable [6 December 2019]
- ECB team to inform the other T2S technical groups of the update to CR-668 [17 December 2019]
- 4CB to check if due the processing time needed, the query introduced by CR-668 could result in a time-out and if so, on which screen(s) of the T2S GUI [22 January 2020]
- 4CB to check if the volumes affected by the identified defect can be assessed [22 January 2020]

- T2S-0684-SYS (Handling for outbound messages with amounts / quantity fields exceeding 14 digits)

Outcome

The CRG took note that the title of CR-684 had been updated to reflect its contents more accurately, including changes to quantity fields in some messages.

- T2S-0702-SYS (T2-T2S Consolidation and ECMS will require an internal communication within the consolidated platform)

Outcome

The CRG took note of a correction to CR-702, whereby the message sese.024, planned to be exchanged between T2S and ECMS, has been added to the list of messages to be carried via the internal communication layer.

- T2S-0703-SYS (camt.050 exchanged between T2S and CLM)

Outcome

The CRG took note that a new business rule number (IIMP148) had been added to the CR-703 documentation.

- T2S-0713-SYS (Alignment of T2S Messages with ISO Maintenance Release 2018 – 2019 and migration to ISO registered versions)

Outcome

The CRG took note that in case there are pending buy-in instructions over the deployment week-end of R4.2, instructed with the old code 'BIYI', T2S would not convert that code to the new code 'BYIY'. To avoid receiving status updates/reports from T2S with the old code after the deployment of R4.2, users are advised to cancel pending buy-in instructions, and reinstruct them with the new code after the deployment of R4.2.

Follow-up action:

- CRG members to confirm that the recommendation to cancel and reinstruct 'BIYI' instructions as 'BYIY' over the R4.2 deployment is acceptable [6 December 2019]

- ECB team to inform the other T2S technical groups of the recommendation on buy-in instructions in the context of CR-713 [17 December 2019]

- ECB/4CB to include the above recommendation on buy-in instructions in CR-713 [22 January 2020].

- 4CB to include the above recommendation on buy-in instructions in the release note for R4.2 [7 July 2020]

3.2 Change requests already ranked/authorised/recommended for authorisation
- T2S-0383-URD (Possibility of submitting already matched cross-CSD settlement instructions)

Outcome

The CRG confirmed that no update of the CR was needed before the start of its detailed assessment, and agreed to recommend it for authorisation by the T2S Steering Level. Some CRG members expressed concerns about the business case for the CR, considering in particular the technical complexity already identified during the preliminary assessment of CR-383, and the CRG agreed that these concerns should be reviewed by the CRG when the results of the detailed assessment are available

Follow-up action:

- 4CB to raise interim questions to the CRG on CR-383, if any, during the next CRG meeting [22 January 2020]

- 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)

Outcome

The CRG confirmed that the requirements stated in CR-503 were stable and complete, and suggested that an implementation together with CR-596 should be considered, if feasible, considering that the functionality requested in CR-596 (Enhance Settlement Instruction - Details screen to display T2S matching reference and the counterparty's instruction details) is similar, in U2A mode, to CR-503.

The CRG agreed to recommend CR-503 and CR-596 for authorisation by the T2S Steering Level.

> *Follow-up action:*
>
> - 4CB to consider whether a joint implementation of CR-503 and CR-596 in R5.0 would be feasible.

- T2S-0556-SYS (Modification of cash forecast for the current and following business day after DVP cut-off)

> **Outcome**
>
> The CRG confirmed that the requirements stated in CR-556 were stable and complete and that no update of the CR needed to be considered during its ongoing detailed assessment.

- T2S-0615-SYS (Enrich values of "Transaction activity field" in semt.017, semt.018 and camt.053)

> **Outcome**
>
> The CRG confirmed that the requirements stated in CR-615 were stable and complete, and agreed to recommend the CR for authorisation by the T2S Steering Level.

- T2S-0629-SYS (Enhance Cash Forecast Query and Report to display CORP related cash movements separately)

> **Outcome**
>
> The CRG confirmed that the requirements stated in CR-629 were stable and complete, and that no update of the CR was needed to be considered for its ongoing detailed assessment.

- T2S-0630-SYS (Enhance Cash Forecast Query and Report to display expected aggregated cash movements, with separate status Hold or Released)

> **Outcome**
>
> The CRG invited the 4CB to consider during the ongoing detailed assessment of CR-630 that in the case of a partially released DVP instruction, the debit and credit cash legs should be split between the "Hold" or "Released" categories of the T2S cash forecast, on a proportional basis.
>
> 4CB drew the attention of CRG members to the fact that this requirement was likely to delay the delivery of the detailed assessment of CR-630, as well as the detailed assessment of other CRs related to the T2S cash forecast (CR-556 and CR-629)
>
> **Follow-up action:**
>
> - ECB team to liaise with the CR initiator to update it in line with the outcome of the CRG discussion [6 December 2019].

- T2S-0681-SYS (T2S should allow updates of securities data with an issue date lower than current date)

> **Outcome**

The CRG confirmed that the requirements stated in CR-681 were stable and complete and that the CR was ready for detailed assessment, if launched by the PMG.

- T2S-0688-SYS (Enhanced reporting of cancellation reason codes)

Outcome

The CRG confirmed that the requirements stated in CR-688 were stable and complete and that the CR was ready for detailed assessment, if launched by the PMG.

- T2S-0697-SYS (Billing common component development) and
- T2S-0709-URD (Make the mandatory automated cash sweep at 17:45 optional)

Outcome

4CB informed CRG members that during the ongoing detailed assessment of CR-697, some questions arose as to whether exchanges of messages and information between T2S and other TARGET Services should be billed, following the same principles and prices as interaction between T2S and its users.

CRG members expressed the view that interactions with other TARGET Services that generate usage of T2S resources, e.g. CPU consumption, should also be billed as is the case with T2S users. Following this principle, it is expected that settlement instructions sent to ECMS from T2S, for instance, should be billed. This does not apply to other cases such as the generation and sending of General Ledger files to CLM, which is considered to be a technical flow internal to TARGET Services rather than a business interaction.

The 4CB took note of the view of CRG members and confirmed it would take it into account for the ongoing detailed assessment of CR-697 and CR-709.

Follow-up action:

- ECB team to assess potential inconsistencies between the billing requirements of T2S and those set out by the T2-T2S Consolidation project [22 January 2020]

- T2S-0704-SYS (CRDM Business Interface development)

Outcome

The CRG took note of an interim update on the detailed assessment of CR-704, provided by the 4CB, including updated message specifications for 27 messages.

Follow-up action:

- CRG members to provide comments on the updated CR-704, including the draft updated message specifications [6 December 2019]

- T2S-0705-SYS (CRDM Business Interface Impact on T2S)

Outcome

The CRG approved an update of CR-705 to include screens and messages related to the CSDR penalty mechanism (planned for R4.2) and to CRs related to auto-collateralisation (planned for R5.2) in its scope.

- T2S-0722-SYS (Upgrade of non-repudiation for U2A)

Outcome

The CRG took note that the detailed assessment of CR-722 was ongoing and that due to the urgency of this CR, the ECB team would seek a CRG recommendation to the PMG regarding the implementation of CR-722 via a written procedure. 4CB confirmed that the detailed assessment results would include an updated technical document on NRO.

Follow-up action:

- 4CB to distribute technical documentation with the detailed assessment of CR-722 [6 December 2019]

3.3 Preliminary assessed change requests / CRs under preliminary assessment
- T2S-0714-SYS (T2S should allow ECMS to receive the notifications of relocation instructions)

Outcome

The CRG took note of the results of the preliminary assessment of CR-714 and agreed to recommend the CR for authorisation by the T2S Steering Level.

- T2S-0717-URD (T2S penalty mechanism: exemption from Late Matching Fail Penalties on settlement instructions created as a result of partially successful buy-ins)

Outcome

The CRG took note of the results of the preliminary assessment of CR-717. Discussing the information that ECSDA expected the code BYIY to be used rather than BSSP as envisaged in the CR, CRG members concluded that the optimal solution remained the one envisaged in the current draft and preliminary assessment of CR-717, whereby the code BSSP would be provided to T2S as a Settlement Transaction Condition, using a proprietary code. The CRG discussed that the approach used in ISO20022, with code BSSP reported as an STCO code, as documented in CR-717, can also be applied to ISO15022 messages using the Data Source Scheme option. The CRG agreed to recommend CR-717 for authorisation by the T2S Steering Level.

3.4 Newly raised CRs / Candidates for preliminary assessment
- T2S-0691-URD (Recycling period of 60 days for matched instructions)

Outcome

The CRG reviewed the suggested implementation of CR-691 presented by Clearstream, and requested the ECB team to pass the following message to the T2S Steering Level, as a contribution to the ongoing CSG discussion on settlement efficiency and the handling of aged transactions:

> *The CRG acknowledged that avoiding the unlimited recycling of instructions when this is not intended, as the CR-691 would allow, has significant business value.*
>
> *Some CRG members expressed concerns about the fact that CR-691, in its current drafting, would increase the risk that some still valid instructions would be cancelled.*
>
> *Clearstream presented to the CRG a mechanism of "implicit consent" as a potential means to achieve the objective of CR-691 while addressing the concerns raised.*
>
> *CRG members agreed that such a mechanism could indeed be useful in addressing the concerns related to the automatic cancellation of matched instructions.*
>
> *However, several CRG members highlighted that any solution for aged instructions should aim at being implemented at the latest for the entry into force of the CSDR Settlement discipline regime, i.e. in R4.2 according to current information. Some CRG members also stressed that the solution should be cost effective.*
>
> *The 4CB pointed out that the increased complexity of the mechanism presented by Clearstream, compared to the current draft of CR-691, could make it unlikely that this timeline (R4.2) is achievable.*

- T2S-0700-SYS (Legal Archiving common component for T2S)

Outcome

The CRG took note that CR-700 had been updated to reflect the final outcome of the workshop on T2S Legal Archiving requirements held on 19 September 2019. The 4CB indicated that the preliminary assessment of CR-700 would resume once requirements and assumptions have been confirmed with the ECMS working group and the Security Managers Group

- T2S-0720-URD (Rule-based liquidity transfers between a T2S DCA and a MCA (CLM))

Outcome

Some CRG members and the ECB team provided additional comments on CR-720. It was clarified that inbound liquidity transfers triggered by a failed settlement are currently only foreseen between RTGS and CLM for Ancillary Systems and not for banks. The CRG invited the initiator to reflect the comments, where applicable, in the text of the CR, and confirmed the launch of the preliminary assessment of CR-720.

4CB drew the attention of CRG members to the fact that due to high complexity of the CR, the preliminary assessment would take longer than usual, and that interim questions should be expected before the PA can be completed. In addition, a Change Request on T2 may need to be raised.

Follow-up action:

- Banque du Luxembourg and Bundesbank to provide an updated version of CR-720 [6 December 2019]
- 4CB to raise interim questions during the preliminary assessment of CR-720 [22 January 2020]

- T2S-0723-URD (Introduce Reason Code as Parameter for T2S Message Subscription Logic)

Outcome

Clearstream introduced the CR and on account of the limited time to discuss its requirements in detail, the CRG agreed to re-schedule an in-depth discussion of CR-723 for the next CRG meeting.

Follow-up action:

- CRG members to indicate whether the camt.067 message (Intrabalance movement status advice) should be added to the scope of CR-723 [6 December 2019]

- T2S-0724-SYS (Multiplex Editorial Change Request on GFS, UDFS, UHB and DMT)

Outcome

On account of the limited time to discuss the editorial changes introduced by CR-724 in detail, the CRG agreed to provide its recommendation via a short written procedure.

Follow-up action:

- CRG members to indicate whether they recommend CR-724 for authorisation by the T2S Steering Level, for the editorial changes to be included in the T2S documentation for R4.0 [29 November 2019]

- T2S-0725-SYS (Next Settlement Day Cash Forecast should report cash demand for the next possible cash settlement day)

Outcome

Clearstream introduced the CR and the CRG agreed to launch the preliminary assessment of CR-725.

Follow-up action:

- 4CB to indicate whether it would be feasible and more effective to include the requirements of CR-725 in the solution design for CR-630, the detailed assessment of which is ongoing. [22 January 2020]

- T2S-0726-SYS (Prevent redundant status update on instructions pending due to counterparty hold)

Outcome

Clearstream introduced the CR and the CRG agreed to launch the preliminary assessment of CR-726

- Planning of SDD updates for T2S R4.0

Outcome

The CRG took note of the planning of SDD updates for T2S R4.0, included the market review of draft documentation from 28 January to 14 February 2020.

4. Implications of the evolution of other Target Services on T2S

- Envisaged principles and organisation of the long-term evolution of messages in the T2S portfolio

Outcome

The CRG took note that the TSWG had confirmed, like the CRG, its agreement to extend maximum reference lengths in the camt.050 message to 35 characters. The ECB team explained that the change would probably take the form of an additional CR related to the T2-T2S Consolidation project, potentially to be allocated to release 5.2 (at the same time as the go-live of T2).

In addition, the ECB team presented a possible approach to achieve a coordinated evolution of messages across TARGET Services. CRG members confirmed that the direction outlined in this approach, whereby the CRG would be responsible for coordinating evolutions to securities-related messages, was consistent with their expectations for the long term evolution of T2S messages. CRG members invited the ECB and 4CB to further detail the envisaged strategy, in particular by providing a comprehensive list of the messages to be used in TARGET Services and indicating, for each of them, which technical group(s) could be designated as "coordinating group", and by investigating whether specific changes to the Operational Governance Framework to cover messaging topics could be beneficial.

Follow-up action:

- ECB team to provide for discussion a list of messages planned to be used in TARGET Services and their respective coordinating group [4 March 2020]

- ECB to raise a fast-track CR to extent the maximum length of references in the camt.050 and other messages to 35 characters and implement BRs for KRONOSII (and potentially TARGET2) [13 December 2019]

- Possible classification of T2S data for statistical purposes

Outcome

On account of the limited time available, the CRG agreed to re-schedule this agenda item to the next CRG meeting.

5. Any other business

- Status update on the registration of Pillar III messages

Outcome

CRG members took note that nine reference data messages for the maintenance of securities accounts[1] were expected to be registered at ISO level shortly, and that the next batch of messages submitted for registration would be a set of 15 messages related to the processing of intra-balance movements[2].

---

[1] reda.018, reda.019, reda.020, reda.021, reda.023, reda.032, reda.035, reda.036, reda.037

[2] camt.066, camt.067, camt.068, camt.072, camt.073, camt.074, camt.075, camt.078, camt.079, camt.080, camt.081, camt.082, camt.083, camt.084, camt.085

- Updated CRG ranking

Outcome

The CRG reviewed an updated version of the ranking taking into account the CRs recently authorised or withdrawn. CRG members agreed to include, for CR-722 (Upgrade of NRO service for U2A), a comment to clarify that its ranking (#45/53) reflected primarily the fact that few CRG members had provided a business value, and not the importance of this CR from an operational/security perspective. The CRG approved the ranking subject to this modification.

Follow-up action:

- ECB team to inform the PMG of the updated ranking, and publish it [29 November 2019]

- Planning of Release 5.0 scoping and detailed assessments

Outcome

The CRG took note of the dates at which 4CB plans to carry out detailed assessments of change requests in the coming months, subject to these CRs being indeed proposed by the PMG for allocation to T2S R5.0.

5.1   CRG meeting dates

Outcome

The CRG took note that the CRG meeting previously announced on 25 August 2020 had been postponed to 17 September 2020.

The following CRG meetings are planned in 2019-2020 (to be confirmed at least 4 weeks in advance):
- 22 January 2020   22/01 09:30-17:30   ECB Main building
- 13 February 2020   Consultative workshop on BILL and BDM GUI
- 4 March 2020   04/03 09:30-17:30   ECB Main building
- 13 May 2020   Consultative workshop on CRDM (CSDs)
- 26 May 2020   26/05 09:30-17:30   ECB Main building
- 10 June 2020   Consultative workshop on CRDM (CBs)
- 2 July 2020   02/07 09:30-17:30   ECB Main building
- <u>17 September 2020</u>   <u>17/09 09:30-17:30</u>   ECB Main building
- 18 November 2020   18/11 09:30-17:30   ECB Main building