

12 February 2019

SUMMARY OF THE 28TH MEETING OF THE DCP GROUP

Tuesday, 12 February 2019, 11:00-13:00

The meeting was held by conference call

1. Welcome by the Chairperson

The Chairperson, Marcello Topa, welcomed the participants to the 28th T2S DCP Group (DCPG) conference call meeting. The agenda of the meeting was approved without adding any additional ad-hoc item. Due to the limited availability of some of the participants, a change of the order of the debriefing was agreed.

The Chairperson informed the participants about the written consultation on the list of participants and alternates and welcomed the new participants from Citibank, Depo bank and Bank of New York Mellon. The updated member list will be published on the DCPG webpage.

2. Review and update of recent issues

The Chairperson presented the Summary document of the 27th DCPG meeting held on 19 December 2018, which was updated with the comments received in the written procedure after the meeting, and invited the DCPG members to approve it. The Summary document was approved without any objection and will be published on the DCPG webpage.

2.1. Directly Connected participants consolidated list

The members of the DCPG were informed that no changes have been reported to the DCPs' consolidated list since the last DCPG meeting in December 2018. The latest DCP declaration was registered on the 19 November 2018 and the total number of institutions declared by CSD and NCB is now 166, with 243 DCP/DCAH connections.

3. Debriefing on regular agenda topics

The DCPG members took note of the information originating from other T2S groups, NCBs and CSDs activities on items that are also relevant for the DCPs.

3.1. T2S Operational Status, OMG update

The CSD representatives debriefed the DCPG members on the work within the Operational Managers Group (OMG) focusing on the following topics:

- T2S MOP
 - The T2S MOP and Annexes v.3.0 was officially approved by the OMG in its last meeting on 31 January 2019 to cover the peculiarities of Release 3.0.
 - The OMG is currently working on the MOP v.3.2 in order to reflect all the changes related to the CRs scoped for R3.2. The drafting process will be finalised by the end of June and expected to be approved by the OMG by the end of July 2019.
- DCP Window during migration weekend
 - The Chairperson asked for clarification regarding the decision of the OMG to remove the DCP window from future playbooks for major release migration weekends and why the DCPG was not consulted, nor informed regarding this decision.
 - The CSG CO informed that the CSDs assess the potential implications on the DCPs and the domestic communities before making a decision at OMG level.
 - The Chairperson highlighted that the DCPs should be made aware of this decision and should communicate it within their institutions. In case of need, concerns should be addressed and discussed by the DCPs with the corresponding CSDs and NCBs.

3.2. CRG update

The CSD representatives debriefed the DCPG members on the current status of the CRG activities (CRG meeting 23 January 2019), including the prioritisation of the relevant CRs for future releases.

- The DCPG was informed that four ranked change requests were withdrawn by their initiator due to their low business value (CR-519, CR-571, CR-586 and CR-619). Furthermore, CR-682 (*Transaction ages up to 15 days should be differentiated by the settlement optimisation process*) was withdrawn by the CSDR-TF following its preliminary assessment.
- Further CRs were discussed during agenda item 4.1 (CSG meeting update).

Please find below the ECB website link to all T2S CRs for your convenience:

<https://www.ecb.europa.eu/paym/target/t2s/governance/html/changerequests.en.html>

In addition, the Change Review Group has published an updated ranking of CRs on the ECB website, which will be taken into account by the Project Managers Group to propose the scope of the next T2S releases (https://www.ecb.europa.eu/paym/target/t2s/governance/pdf/crg/t2s_cr_ranking.pdf).

3.3. T2S Release Management process

The CSD representatives informed the DCPG members on future release deployments.

- **R 2.3:** The deployment of Release 2.3 was approved by the T2S Steering Level, fixing 24 PBIs, including 2 TIPS-PBIs (without an impact on T2S). Deployment to PROD will take place on 16 February 2019.
- **R 3.0:** The CSG approved the scope changes in R 3.0 as well as the STP for R 3.0 v2.5 as baseline, acknowledging that scope changes might be proposed in the future. The release also includes updates in the XSD schemas, which are available on MyStandards. The updated documentation will be published by the end of February 2019.
- **R 3.1:** The CSG approved the scope changes in R 3.1 and took note of the STP for R 3.1 v 0.3 as the current version is still pending on PMG/OMG approval. The release currently includes 3 PBIs.
- **R 3.2:** The CSG approved the scope changes in R 3.2, which is scheduled for November 2019 and now includes 5 CRs and 3 PBIs.
- **R 4.0:** The 4CB started a detailed assessment of CR-658, CR-671 and CR-677. Results are expected in April and the CRs should be approved by June 2019.
- **R 4.1:** The CSG approved the cancellation of R 4.1 in order to leave more time for the testing and preparation of R 4.2.
- **R 4.2:** The CSG approved the inclusion of CR-654 (Penalty Mechanism) to R 4.2.

3.4. T2S Migration/De-migration

3.4.1. T2S Migration window 2018

The Chairperson informed the members of the DCPG about the fact that the Danish National Stakeholder Group is currently working on a T2S “post-mortem” report on the migration of Danish kroner to T2S on 29 October 2018. The report will be presented to the group after it is finalised.

4. Additional topics

4.1. CSG meeting update

The CSD representatives debriefed the DCPG members on the CSG meeting that took place on 6/7 February 2019, focusing on:

- Settlement Efficiency
 - In the last CSG meeting, the main conclusions from the 2nd workshop on Settlement Efficiency were discussed with a particular focus on both technical and market behaviour measures to increase the settlement efficiency. CSDs will consult their markets on possible reasons for the lower efficiency rates and DCPs are kindly invited to engage actively in discussing the topic, sharing their experience due to their multilateral character.
 - **CR-691 (Recycling period of 60 days for matched instructions)** was discussed and it was reported that in the CRG there were views in favour and against the change request, while in the CSG the discussion was focused on the technical possibility of the CR, the business drivers and business impact on DCPs and ICPs and the legal aspects. The outcome of the CSG was that a 3rd workshop of the CSG on settlement efficiency should analyse the issue of the aged matched settlement instructions in further detail. In preparation for the 3rd workshop, CSDs will initiate discussions on their individual market level to analyse the drivers for aged settlement instructions. CSDs will also conduct a legal analysis on whether it is feasible that the CSD cancels matched settlement instructions. The Eurosystem will provide additional statistics to CSDs to support the facilitation of the discussions with their market. The CSDs also asked the DCPs to participate actively in the discussions on the topic and give feedback to the respective CSDs.
 - One DCP gave the initial feedback that the CR would be beneficial for the institution, but it is not clear yet which timing would be preferred for the cancellation. A harmonised decision on the matter could be difficult due to the national peculiarities. Nonetheless, it was proposed that before the CSDR enters into force it could be considered to clean T2S by cancelling all the pending unsettled instructions.
 - Furthermore, as there was no consensus for the use of CR 691 in the OMG and CSG, there was a proposal to investigate the possibility to switch on the functionality of CR 691 per System Entity and possibly with different max pending duration before mandatory cancellation. Some DCPs stated their concerns that this might become difficult to handle due to the different configurations across the markets and it should therefore be investigated thoroughly.
 - **CR 694 (Inclusion of two new partial settlement windows and extension of the 08:00 and 15:45 partial settlement windows):** The DCPG members took

note of the CSG request to conduct an operational assessment on the CR by the OMG prior to the April 2019 CSG meeting in order to decide on how to stabilise the scope of the change request.

- **Lower Settlement Efficiency in November and December 2018:** The settlement efficiency rate was below average in November and December 2018. This might be linked to the DKK-migration and to the impact of the incidents occurred after that migration, but the analysis on other possible root causes is ongoing. The issue will be continuously monitored and will also be discussed in the 3rd settlement efficiency workshop.
- One CSD informed that in view of the CSDR it will be required to report on settlement efficiency locally, identifying those market participants that are negatively affecting settlement efficiency in order to take all necessary counter-measures. The Chairperson asked the CSG CO about the possibility to share anonymised data for local markets to be able to identify the most critical market players in this regard.
- Consolidation of T2 and T2S:
 - The CSD representatives debriefed the DCPG members on the “optional” and “required” functionalities and CRs that have been proposed by the ECB (e.g. the definition of a common time slot for the maintenance window).

4.1.1. CSDR Taskforce update: T2S Penalty Mechanism Update

The CSD representatives updated the members of the DCPG on the development of the T2S penalty mechanism stemming from the last CSDR taskforce meeting, on 15 January 2019, with a focus on the status of the CR654 and CR685.

- ESMA issued a public consultation on guidelines on settlement fails reporting under Article 7(1) of CSDR. The CSG decided to delegate the response to ESMA to the CSDR TF, in the understanding that the response is in line with previous assumptions shared with ESMA.
- The DCPG members took note of the status of CR 654 (T2S penalty mechanism) and of the decision to withdraw CR 685 (T2S penalty mechanism for non-T2S flows), as no CSD requested it.
- An ECSDA workshop is organised on 18 February 2019 at Clearstream on the T2S Penalty Mechanism.

4.2. AMI-SeCo

The members of the DCPG were debriefed on the AMI-SeCo meeting that took place on 20 November 2018, with a particular focus on the Eurosystem Collateral Management System:

- A consultation was launched on 4 February 2019 until 8 March 2019 by the AMI-SeCo's Collateral Management Harmonisation Task Force (CMH-TF), addressed to the National Stakeholder Groups (NSGs), on draft Harmonisation Standards on
 - (1) Triparty Collateral Management;
 - (2) Corporate Actions; and
 - (3) Billing processes.
- The Chairperson kindly invited the DCPs to respond to the consultation either directly or through their respective NSGs. Within the DCPG, specific attention should be attributed to the cross-market perspective.
- Also the potential change to the timing of the maintenance window in the context of the T2-T2S consolidation project was discussed in CSG and AMI-SeCo. The discussion on the cash side already progressed further, while it is to be initiated on the T2S side. It was expressed the need for thorough preparation in their markets (e.g. in the NSGs) for the discussion on the placement of the maintenance window in T2S. Therefore the DCPG members were invited to discuss within their institutions and with other DCPs in their respective NSGs. The topic will be discussed in the joint AMI-Seco/AMI-Pay in May 2019.

4.3. Information from DCP

The DCPG members were invited to take note of the information provided in this section, originating from other DCPs activities on items that are relevant for all DCPs. No DCP had any specific information to share with the group.

5. Open Issues Register

Members of the DCPG reviewed the list of open issues of relevance for the DCPs and directly connected DCA Holders and were invited to add any point that they think is relevant in this context. No new developments were presented regarding the open issues.

6. Any other business

Members of the DCPG were invited to raise any other issues that needed to be discussed during this meeting. No additional topics were discussed.

7. Next steps: future DCPG meetings (suggested dates with CSG)

The members of the DCPG were invited to discuss and agree on the future DCPG meetings and were asked for preferences on the dates of the next call. The Chairperson suggested the week after the upcoming CSG meeting on 3-4 April 2019 for the next call (i.e. 8-12 April). The DCPG secretariat will provide an exact date in due course.

- *3-4 April 2019 (Copenhagen)*
- *13-14 June 2019*
- *11-12 September 2019*
- *24-25 October 2019*
- *11-12 December 2019*