



## **T2S Harmonisation Standard 15 – Proposal for amending the activity description**

### **1. Summary**

T2S Harmonisation Standard 15 defines a harmonised approach for the identification of securities accounts in T2S CSDs<sup>1</sup>. The securities account is subsequently reported in ISO messages in a message field entitled “safekeeping account” to facilitate the identification of the account to which the message relates. While the T2S securities account number is used consistently in a large number of T2S markets, in the context of ongoing work on SCoRE and ECMS it has come to light that in a number of T2S markets the standard is narrowly interpreted and applied only to messages that are sent in or by T2S (i.e. settlement-related messages); other types of messages relevant to the management of securities accounts report instead legacy account numbers. In particular, this practice leads to the issue of T2S account numbers not being used in corporate actions messages.

Having to setup and maintain reference data on 2 separate accounts (i.e. T2S account and a legacy account) to keep track of movements on a single account (i.e. the T2S account) leads to complexities and inefficiencies in post-trade activities. Such approach runs counter to the spirit and objective of T2S standard 15 which prescribes the use of harmonised account numbers to facilitate the identification of account holders and providers. Without full and consistent implementation of this approach across all T2S CSD activities the introduction of the T2S standard will have had the counter effect of introducing greater fragmentation since prior to the introduction of T2S the securities account number and the safekeeping account number quoted in ISO messages were the same. A T2S standard introduced to deliver harmonisation should not lead to heterogeneity (i.e. different account number used depending on the activity). Accordingly, it is important that the principle of the Standard is applied consistently across all activities to deliver the intended benefits for the T2S community.

While keeping the original presentation of the background of this issue, this note presents a proposal by the HSG Secretariat, based on the feedback received from the HSG members and from the NSG Secretaries of the markets affected, to amend the Activity Description of Standard 15.

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<sup>1</sup> Please refer to Annex 1 for further details on T2S Harmonisation Standard 15

## 2. Background

CSD participants' record information on securities account numbers in their internal systems to facilitate identification and reconciliation of messages sent to or from the CSD in relation to activities on that account. This securities account number is reported in a field entitled "Safekeeping Account" in ISO messaging. In T2S CSDs the safekeeping account corresponds to the T2S account on which the securities have been booked. Accordingly, the safekeeping account in subsequent messages should always correspond to this account. However, a fact-finding amongst NSGs has shown that this is not always the case in practice. The safekeeping account number is either reported as the T2S securities account number, the legacy CSD account number or a combination of both approaches<sup>2</sup>.

### 2.1 Illustration of the issue

To illustrate the issue, we use the example of a security which is subject to redemption and for which a CSD participant can receive both corporate action messages and settlement messages. It is important to note however that this issue is not confined to corporate actions and thus can also be applied to any other scenario where a T2S CSD sends an ISO message containing a safekeeping account number.

In the table below we show the case of a redemption of a security where a settlement instruction is firstly generated to debit the security position from the T2S account (step 1 below). A corporate action message is then sent to T2S CSD participant confirming the execution of this movement on the T2S account (step 2 below). The corporate action message should thus identify the T2S account on which the security movement has been executed.

**Table 1**

Step	Description
1. Debit of security position	At the close of business on the record date, the security positions are debited from the participant's account in T2S
2. Confirmation of debit of security position	Once the security positions have been debited the CSD sends a Corporate Action Confirmation message to the CSD participant to confirm that the security position has been debited from the participant's account in T2S

The issue comes into sharper focus when one considers the case of Directly Connected Participants (DCPs) who are interacting directly with the T2S platform. In the scenario the Directly Connected Participant can receive 2 confirmation messages – one from T2S confirming the settlement of the security and one from the CSD confirming the execution of the corporate action. Both messages are confirming the debit of the security position from the T2S account. Accordingly, the account number quoted in both messages should be the same. This principle is also consistent with statement of holdings report generated by T2S which identifies the safekeeping account as being equal to the T2S securities account.

### 2.2 Why is this an issue?

The absence of a harmonised approach brings about increased complexity since, depending on the CSD involved, different accounts may be identified as the "safekeeping account" depending on the business process involved despite the securities being held in a single account in T2S. This complexity is exacerbated in instances where the account holder is a participant in multiple T2S CSDs, each of which

<sup>2</sup> Please refer to Annex 2 for further information on current practices.

may follow a different approach<sup>3</sup>. This fragmented approach also creates uncertainty as the same security may be reported as being held in 2 different accounts depending on where the report is generated (e.g. by T2S or by the CSD). This complexity would be removed by relying on consistent usage of the T2S securities account.

### 2.3 Incompatibility with the ECMS

In light of the ECMS relying solely on T2S account numbers to identify accounts when processing corporate actions messages, all euro area T2S markets with a narrow interpretation which are used by the Eurosystem to take collateral will have to make necessary adaptations to ensure that they designate the T2S account number of T2S accounts that the Eurosystem will use in their SSS. Thus, at least in the euro area, the narrow interpretation cannot be upheld after the ECMS go-live, as confirmed by the affected markets<sup>4</sup>. By the ECMS go-live, the vast majority of T2S CSDs are expected to use (also) T2S account numbers to identify T2S accounts at least in their messages sent to the ECMS. As from a T2S perspective the ECMS will act as any other DCP, one can assume that such a solution implemented by the CSDs above will be available for other T2S actors as well.

This suggests that the ECMS provides a good opportunity to achieve a better level of harmonisation in T2S markets. With this, the overwhelming majority of T2S markets would comply with a broader interpretation of Standard 15, i.e. as applying not only to settlement messages but also corporate action messages. Such a compliance could also be reached by providing at least the option to their participants to rely on either the T2S account numbers or on the legacy / proprietary account numbers.

## 3. Potential clarification to Standard 15 – amendment of the Activity Description

The HSG members agreed that an amendment of the Activity Description of Standard 15 is necessary to grant a univocal interpretation of the standard. The below proposal<sup>5</sup> aims at harmonising the usage of safekeeping account numbers across all T2S markets and participants and for all business processes. The headline text and the objective of the Standard 15 would not change, only the Activity Description would be clarified as shown below.

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<sup>3</sup> One obvious case study is that of the Eurosystem with its single Eurosystem Collateral Management System (ECMS) under construction. The ECMS is being built on the basis and with the assumption of market standards and the achieved harmonisation in Europe and the euro area. The ECMS supports 19 National Central Banks their counterparties and their CSDs and hence it has to rely on harmonized practices and standards. The ECMS manages T2S securities accounts for: i) the settlement of collateral; ii) the management of corporate actions; iii) and the reception of the invoices of the National Central Bank's collateral securities accounts. No other external (i.e. outside T2S) securities accounts are envisaged and they are not covered by ECMS requirements. The ECMS interacts directly with T2S for the settlement of collateral (and related notifications and reports) and interacts with the CSDs 'interfaces for corporate actions and invoices. In the absence of minimum harmonisation in account numbering, the same position would be reported in two different ways, depending on the business process, adding significant complexity to the ECMS processes.

<sup>4</sup> Please refer to Annex 3 for further details on the feedback received.

<sup>5</sup> Please see Annex 1 for the full text of Standard 15 and its amendment.

**Activity description**

The objective of this activity is for T2S CSDs to designate a harmonised number to securities accounts in T2S. The idea is to incorporate logic into the account numbers to facilitate the identification of account holders and providers *and use a harmonised identification of securities accounts that are managed in T2S.*

*To this purpose, all ICPs and DCPs shall have the option to refer to the number of their T2S securities account using the harmonised T2S numbering format described in this standard in all A2A messages received from or sent to T2S CSDs containing a securities safekeeping account field. This includes also non-settlement related messages (e.g. corporate actions notification, billing, etc.).*

Compliance with the agreed standard must be achieved by all T2S markets in time for their migration to T2S (depending on their respective migration wave). CSDs should, nonetheless, be able to participate in T2S testing using the agreed numbering standard. *This standard will only apply to T2S CSDs, and not to non-T2S (I)CSDs accessing T2S via other CSDs.*

The additional explanation does not prevent a CSD to use both T2S and legacy account numbers and, at the same time, it guarantees the principle of optionality, i.e. T2S actors should at least be given an option, but would not be forced, to rely on T2S account numbers.

The proposed clarification of the standard will ensure a consistent approach in the use of securities account numbers across all activities in T2S markets, thus solving the issue of different interpretation and inherent potential for fragmentation. This also facilitates and guarantees that the ECMS can rely on the standard being followed in all markets according to the same set of minimum requirements. It is noted that the amended text does not cover U2A messages and prescribe the practice only at the level of CSDs (similarly to the scope of the original wording). It remains to be seen to what extent the standard use of T2S account numbers will also propagate further down the custody chain to allow straight through processing also among stakeholders who are not CSD participants.

***The AMI-SeCo members are invited to endorse the HSG's proposal for the updated text of the Activity Description of Standard 15.***

**Annex 1: T2S Standard 15 proposed amendment****Securities account numbers***Activity description*

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**T2S STANDARD**

In securities account numbering, CSDs must use a four-digit BIC to identify parties of CSDs, plus maximum 31 digits of free text.

**Annex 2: Current practices for reporting of safekeeping account numbers in CA messages  
(survey done in September 2020)**

Market	CSD	Feedback	Summary
AT	OeKB	OeKB CSD has implemented the T2S Standard which demands that “ in securities account numbering, CSDs must use a four-digit BIC to identify parties of CSDs, plus maximum 31 digits of free text”. According to this standard the field 97A is populated as follows: :97A::SAFE//OCSD222200	T2S account number
BE	Euroclear Belgium	Euroclear can support both account numbers depending on client's subscription: Either T2S account : 97A::SAFE//SICVABCDEFGHDCP000L10 Or legacy account structure: 97A::SAFE//000/L10/0	T2S account number
BE	NBB-SSS	NBB-SSS T2S securities accounts are used to identify securities accounts in corporate actions related instructions in the BE market.	T2S account number
CH	SIX SIS	SIX SIS shows on the corporate action notifications (MT564/8) and booking confirmations (MT566) the 20digits-Account number which corresponds to the T2S-securities account without the four-digit BIC (i.e. INSE). The securities accounts of our participants held in T2S are composed as requested by the standard (four-digit BIC to identify parties of CSDs, plus maximum 31 digits of free text), e.g. INSE20..... (i.e. INSE + the 20digits-Account number of the SIS-participant).	Legacy account number
DE	Clearstream Banking Frankfurt	The field 97A:SAFE in the MT 564 Corporate Actions Notification message sent by our local CSD is populated with the proprietary (legacy) CSD account number.	Legacy account number
DK	VP Securities	VP operates a direct holding model, and in order to cater for both VP securities accounts and T2S securities accounts (SAC), the account numbering of the VP account numbers are included in the T2S SAC numbering (sub-string).  In order to be compliant with (i) the CASG standards, VP is paying out (directing payments of) all CA proceeds on T2S DCAs, and (ii) as per T2S CSD Access Criterion 3, reflects all CA events in T2S (also for any holdings that may be registered on an end-investor account in the proprietary system, which consequently does not have a T2S account number assigned). In the CA notification messaging, VP therefore refers to the VP account number sub-string of the T2S SAC numbering, as it would not be possible both to cater for both the two abovementioned standards, and referring to T2S SAC as one-to-one representatives for direct holding accounts in the layered account model, as the accounts do not have a T2S SAC account number assigned.  In the case of the confirmations, the T2S SACs and the T2S DCAs are used as reference, as this reflects what has been booked.	Legacy account number
EE, LT & LV	Nasdaq	Nasdaq CSD (markets: Latvia, Lithuania and Estonia) reports the account number as it is in the CSD system in the CA messages (legacy account number) and that account number does not include prefix LCDE. Prefix LCDE is added to all securities account (migrated and new) to T2S accounts in T2S only.	Legacy account number
ES	Iberclear	Spanish market is fully compliant with T2S harmonisation standard 15 on securities account numbering.	T2S account number
FI	Euroclear Finland	In Finland we use T2S securities account numbers.	T2S account number
FR	Euroclear France	Euroclear can support both account numbers depending on client's subscription: Either T2S account: 97A::SAFE//SICVABCDEFGHDCP000L10	T2S account number

**ECB-PUBLIC**

		Or legacy account structure: 97A::SAFE//000/L10/0	
FR	ID2S	We can confirm that for our market, proprietary (legacy) CSD account numbers are used to identify securities accounts in corporate actions related instructions.	Legacy account number
GR	BOGS	BOGS is using the T2S securities accounts in the corporate actions messages.	T2S account number
HU	KELER	<p>In Hungary, due to our current setup in T2S, only KELER's omnibus account exists in T2S. Therefore currently it does not make sense to use T2S account numbers, the market use the CSD account numbers.</p> <p>After the developments of our core system in 2021, due to the partial entry model chosen for Hungary, there will be T2S accounts for participants choosing to open segregated account in T2S, but other participants remain behind KELER's omnibus account. Therefore it would also not be beneficial for the market to use T2S account numbers in the future.</p> <p>All in all, KELER and the Hungarian market plan to use the account numbers from KELER's systems.</p>	Legacy account number
IT	Monte Titoli	Monte Titoli uses T2S securities account numbers in the CA messages (e.g. MT564). The same approach will be used also for ISO 20022 CA messages.	T2S account number
LU	LuxCSD	The securities accounts that are used by LuxCSD for corporate actions instructions and reporting are the proprietary (legacy) securities account numbers of LuxCSD.	Legacy account number
MT	Malta Stock Exchange	When sending Corporate action messages ie notifications and confirmation messages, these reflect our legacy CSD account numbers. Settlement instructions as a result of a corporate actions (PFOD for cash distribution and FOP for securities distribution) include the T2S Securities account numbers when instructing through T2S.	Legacy account number
NL	Euroclear Netherlands	<p>Euroclear can support both account numbers depending on client's subscription:</p> <p>Either T2S account : 97A::SAFE//SICVABCDEFHDCP000L10</p> <p>Or legacy account structure: 97A::SAFE//000/L10/0</p>	T2S account number
PT	Interbolsa	<p>Please be informed that in the corporate actions notification (MT564-RMDR) messages, sent via ISO 15022, the T2S securities account is informed in the qualifier :97A::SAFE//.</p> <p>In the MT564-NEWM it is used the qualifier :97C::SAFE//GENR.</p>	T2S account number
RO	Depozitarul Central		Legacy account number
SI	KDD	T2S securities account numbers are used to identify securities accounts in corporate actions related instructions in Slovenian market.	T2S account number
SK	CDCP	<p>In corporate actions related instructions in our market is used Legacy account numbering to identify securities accounts. Hereby, we admit that currently the cash distributions that followed corporate actions are done only in T2 via MT202 instructions and securities distributions are done in CSD based on issuer's information directly on related securities accounts. The related information to Intermediaries and end-holders is communicated in formatted electronic form using standards defined by securities industry.</p>	Legacy account number
SK	NCDP		Legacy account number

**Annex 3: Feedback received from euro area T2S markets regarding use of T2S account numbers in CA messages for the ECMS**

<b>CDCP (SK)</b>	CDCP is assessing with the market details of using solely T2S account numbers to identify SACs also in corporate actions messages. The timing of such solution is at the latest November 2023 (when ECMS will going live).
<b>NASDAQ (LV, LT, EE)</b>	Nasdaq CSD does not have plans to change current practice that existing legal securities account numbers are used. The security account numbers that are opened in the CSD participants' systems and the change will affect entire community. Also, the clients of the CSD participants will be affected as there are owner accounts opened in the CSD system. Nasdaq CSD can implement so that Corporate action messages that are sent to ECMS system in the future contain T2S account number by applying the same logic when sending any message to T2S (the prefix LCDE is added by the CSD system in front of the concerned account number). in the CSD system are the same accounts opened in the CSD participants' systems and the change will affect entire community. Also, the clients of the CSD participants will be affected as there are owner accounts opened in the CSD system. Nasdaq CSD can implement so that Corporate action messages that are sent to ECMS system in the future contain T2S account number by applying the same logic when sending any message to T2S (the prefix LCDE is added by the CSD system in front of the concerned account number).
<b>MSE (MT)</b>	When instructing Corporate action messages to ECMS the T2S account numbers will be included.
<b>ID2S (FR)</b>	ID2S can confirm that currently we use T2S account numbers to identify securities accounts not only in settlement messages but also in corporate actions messages. Therefore, we do not believe that we need to change / adapt to ECMS requirements.
<b>Clearstream Banking Frankfurt (DE)</b>	Clearstream Banking Frankfurt will use T2S account numbers in the relevant CA messages with ECMS. We are however still analysing a proposal to include both Legacy and T2S account numbers in messages, by utilising an additional optional field, and further work will be performed on this topic in due course. The proposal has so far been discussed, and well received, in the March MPC on the basis that ICP customers do not require the T2S account number as their entire reporting is based on legacy accounts, and that DCPs can also opt to receive CBF's ICP reporting should they wish to do so. It is intended to present this compromise solution to AMI-SeCo as a pragmatic approach to be used by Clearstream clients.
<b>LuxCSD (LU)</b>	<i>No reply received</i>