

T2S Harmonisation Standard 15 – Additional Guidance

discussion paper

1. Background

T2S Harmonisation Standard 15 defines a harmonised approach for the identification of securities accounts in T2S CSDs¹. This securities account is subsequently reported in ISO messages in a message field entitled “safekeeping account” in order to facilitate the identification of the account to which the message relates. In the context of ongoing work on SCoRE and ECMS, it has come to light that this safekeeping account number is not always reported in a consistent manner by CSDs in a number of T2S markets. Such approach is considered not to be in line with T2S Harmonisation Standard 15. This raises a broader issue of either non-compliance or different interpretations of Standard 15. This note provides further details on the issue and illustrates the practical complexities and inefficiencies this brings to post-trade activity in Europe. The HSG is invited to agree to provide additional clarification on Standard 15 in order to support the application of a harmonised approach across all T2S CSDs.

2. Description of the issue

CSD participants’ record information on securities account numbers in their internal systems in order 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 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 thus always correspond to this account. A recent fact-finding amongst NSGs has shown that this is not always the case in practice however. This means that the safekeeping account number is either reported as the T2S securities account number, the legacy CSD account number or a combination of both approaches (please refer to Annex 2 for further information on current practices).

¹ Please refer to Annex 1 for further details on T2S Harmonisation Standard 15

2.1 Illustration of the issue

In order 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 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

may follow a different approach.² 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.

3. Conclusion

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. With the advent of further post-trade standardisation via various initiatives, there is a need for the HSG to provide guidance on the harmonised approach to be adopted in T2S markets vis-à-vis the reporting of safekeeping account numbers. While the T2S securities account is used consistently in a large number of T2S markets, some local practices exist which increase complexity and trigger uncertainty. Such approach runs counter to the objective of T2S standard 15 which prescribes the use of harmonised account numbers in order 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 in order to deliver the intended benefits for the T2S community.

The HSG is invited to agree that the T2S securities account number should serve as the unique safekeeping account identifier for participants holding an account in a T2S CSD. The description of Standard 15 should be updated accordingly to clarify this understanding.

² 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 of 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.

Annex 1: T2S Standard 15

Securities account numbers

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.

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.

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

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//SICVABCDEFHDCP000L10 Or legacy account structure: 97A::SAFE//000/L10/0	T2S account number
	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
		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.	Legacy account number
DK	VP Securities	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//SICVABCDEFHDCP000L10 Or legacy account structure: 97A::SAFE//000/L10/0	T2S account number
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

		<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>	
HU	KELER	All in all, KELER and the Hungarian market plan to use the account numbers from KELER's systems.	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	Euroclear can support both account numbers depending on client's subscription: Either T2S account : 97A::SAFE//SICVABCDEFHDCP000L10 Or legacy account structure: 97A::SAFE//000/L10/0	T2S account number
PT	Interbolsa	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//.	T2S account number
RO	Depozitarul Central	In the MT564-NEWM it is used the qualifier :97C::SAFE//GENR.	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	NCDCP		Legacy account number