

T2S Change Review Group

ECB-PUBLIC

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Outcome of the of the Change Review Group meeting

28 August 2017, from 10:00 to 17:30

held at European Central Bank, Frankfurt

1. Introductory session

The acting Chairperson, Karen Birkel, welcomed the participants.

The Chairperson notified CRG members that some CSDs requested the detailed assessment of the Change Request T2S-0559-SYS (Prevention of matching in case of insolvency of a CSD Participant or a dedicated cash account holder), but that the Eurosystem is not in favour following the CSG Task Force on insolvency, the CRG and the OMG conclusions that there is no legal requirement, only a low business need and a low operational need for the CR.

2. Feedback on action points from previous CRG meetings

The CRG members discussed the remaining open actions and agreed to close the following items:

- **T2SACTION-3165:** OM-PBR-0011 (T2S does not send a camt.019 final NTS message after the NTS file bundling with counter zero) - PBI000000201333
- **T2SACTION-3164:** Production Incident INC204677 (Settlement instructions settle despite case 2 blocking restriction on ISIN)
- **T2SACTION-3155:** Change Request T2S-0623-SYS (Standing rebalancing of securities positions)
- **T2SACTION-3153:** Change Request T2S-0613-SYS (T2S should give the possibility to receive outbound T2S messages bundled in files)
- **T2SACTION-3150:** Change Request T2S-0654-URD (T2S Penalty Mechanism)
- **T2SACTION-3019:** Change Request T2S-0647-SYS (T2S Actors should be allowed to extract bulk of outbound messages in XML format)
- **T2SACTION-3108:** CRG request for CSG guidance on INC204677

A description of the resolutions taken for each action point to be closed, as well as the list of actions that remain open, can be found in the attached Excel list. The open items will be discussed further during the next physical CRG meeting.

3. Approval of the summary of previous meetings

The CRG members approved the following summaries: CRG teleconferences of 23 June and 28 July 2017.

The CRG members agreed to update the following summaries: CRG meetings of 7 June (update required on CRG agreement regarding CR 515) and 4 July 2017 (update required on expected impact of CR 613). The CRG approved the updated summaries.

4. Analysis of the Change Requests

4.1 Preliminary assessment on Change Requests

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

The aim of the CR is to allow the processing of three deviating settlement parameters: (i) settlement transaction type, (ii) party hold status and (iii) modification/cancellation allowed flag, in the delivery and receiving leg of an already matched instruction.

The CRG members agreed that the settlement transaction type for already matched instructions should be derived from the instructed settlement *transaction type* and securities *movement type*.

The 4CB and Clearstream agreed to investigate whether the CR T2S-0658-SYS requires ISO changes. If yes, the part of the CR T2S-0658-SYS that require ISO changes could be integrated as part of another related CR, which also requires ISO changes, i.e. Change Request T2S-0638-SYS (T2S should allow and process already matched instructions which include the counterparty's securities sub-position to be used for settlement purposes). The updates that do not require ISO changes could be kept in the CR T2S-0658-SYS in order to facilitate its implementation independent of the ISO MR 2019.¹

CRG recommendation: The CRG put the CR on hold until further analysis can be undertaken following the 4CB and the initiator's reporting on the ISO implications. The CRG aims at finalising this CR by the time the CRG recommendations for slot 2 have to be made / CR ranking has to be submitted to the RMSG (i.e. at least a week before the RMSG meeting on 27 September 2017) in case the new operational governance framework and its transition plan will have been approved prior by CSG and MIB.

Action points:

- The 4CB will check whether new complementary codes for the party hold indicator could be populated in a proprietary field without a need of having an ISO Change Request.
- The 4CB will try to make a proposal to the CRG for an updated CR at least a week before the CRG teleconference on 27 September 2017.

¹ After the CRG meeting Clearstream provided a solution for CR-658 which does not require ISO changes.

- Ton van Andel from ABN AMRO Clearing will provide the CRG the SMPG standards applicable for the securities transaction types.

4.2 Change Requests for Release 2.0

Change Request T2S-0663-SYS (Treatment of change of fractional digit for cases of ISIN with settlement type nominal and change of settlement type)

The aim of the CR is to address automatically specific securities updates related to (i) the denomination currency for securities denominated in face amount, and (ii) the settlement type in case these updates trigger a fractional digit (FD) increase or no FD change.

The CR does not have a T2S cost and covers additional scenarios not covered by the CR [T2S-0538-SYS](#) (Change of fractional digit of Settlement Unit Multiple (SUM) of securities). The cost of the CR will be borne by the 4CB.

CRG recommendation: The CRG members agreed to recommend to the T2S Steering Level the approval of the Change Request and its inclusion in the T2S Release 2.0.

Action point:

- The ECB team will report to the different T2S governance bodies following the CRG recommendation.

Change Request T2S-0666-SYS (T2S should lower maximum outbound file size to 99 MB)

The aim of the CR is to lower the technical maximum file size of uncompressed outbound communication items from 100 to 99 MB.

The development costs of the CR are 18,060.96 euros and the operational costs are 1,614.75 euros. The assessment costs are 12,000 euros.

CRG recommendation: The CRG members agreed to recommend to the Steering Level the approval of the Change Request and its inclusion in the T2S Release 2.0.

Action points:

- The ECB team will approach the different T2S governance bodies following the CRG recommendation.

Change Request T2S-0667-SYS (T2S should also send a camt.019 final message after the night-time settlement file bundling with counter zero)

The aim of the CR is that T2S should also send a (Return Business Day Information message (camt.019) with the code "FNTS" (final NTS message) after the night-time settlement (NTS) file bundling with counter zero (i.e. zero files have been generated during the NTS).

CRG agreement: The CRG members, taking note that 4CB do not consider the underlying issue as a bug, but will bear the costs of the CR, agreed to update the CR². The updated CR should then be subject to detailed assessment by the 4CB. The CRG members invited the 4CB to check the feasibility to deliver it as part of the T2S Release 2.0.

Action points:

- The 4CB will provide to the CRG the detailed assessment of the Change Request and the feasibility to deliver it as part of the T2S Release 2.0 by 06/10/2017, expecting green light for start of implementation work by 03/11/2017.

4.3 Other Change Requests

Change Request T2S-0613-SYS (T2S should give the possibility to receive outbound T2S messages bundled in files)

The aim of the CR is to allow T2S Actors (CSDs, NCBs, directly-connected parties) to receive outbound messages in files based on some criteria.

The CRG invited the 4CBs to analyse whether the CR implementation would be simplified if T2S bundled all outbound messages. A majority of CRG members were in favour of an elapsed time of one minute but acknowledged that different T2S actors could have different needs depending on their volumes and the timing of their activity during the T2S business day. 4CB explained that past analysis has shown that only a common period of elapsed time for bundling can be supported, i.e. user specific elapsed times are not feasible in terms of application stability. The CRG members also favoured a bundle deactivation but there was no conclusion on the specific times.

The CRG members re-confirmed that cost saving was the aim of the CR. The CRG members recognised that requirements which increase the business value of this CR in terms of cost saving were generally also contributing to the increase of the complexity of its implementation.

CRG agreement: The CRG agreed to keep the Change Request on hold and discuss it again during the CRG meeting on 23 October 2017 when the 4CB feedback on the potential CR simplification will be available.

Action points:

- The 4CB will check (i) whether the CR implementation could be simplified if all outbound messages were bundled; (ii) whether a bundling flag at party level or in the routing configuration in order to enable different elapsed times can be supported from software stability perspective; and (iii) whether T2S events can be used for bundle activation/deactivation. The 4CB will re-check the general implementation complexity and the performance issues in this respect and report back to the CRG during the CRG meeting on 23 October 2017.

² The section 'Reason for Change' of the CR was updated as follows: "~~As a conclusion and in absence of any written requirement to the contrary, this means that in~~ In case a recipient did not receive any files during a NTS period, this T2S Actor currently does ~~he will~~ NOT receive a camt.019 as final message.

- The ECB team will inform the PMG and CSG that the CRG was of the view that requirements which increase the business value of this CR in terms of cost saving were generally also contributing to the increase of the complexity of its implementation constituting a software instability risk.

Change Request T2S-0623-SYS (Standing rebalancing of securities positions)

The aim of the CR is to allow CSDs to generate standing and already matched FOP transfers via U2A to move positions at the end of the day (i.e. the whole position of a securities account or earmarking position to another securities account or earmarking position) and have them re-transferred at the start of the next day.

The CR initiator explained that the requirement on the quantity to be transferred back the following day was simplified in the updated CR with the aim to lower the implementation efforts. The 4CB indicated that the financial impact indicator of the CR is expected to remain high anyway and there is no need of performing a new preliminary assessment.

The CR requires previous ISO updates to have a new ISO Transaction Code (REBL 'rebalancing') to identify such FOP instructions.

CRG agreement: The CRG agreed to keep the Change Request on hold. The Change Request will be discussed in the context of the ranking exercise for future releases.

Action points:

- The ECB will include the CR in the next review of the CR ranking in time for any RMSG proposal on Baseline Release Scope (dates to be derived from the T2S release calendar).

Change Request T2S-0664-SYS (T2S should allow the population of the dedicated LEI field on Party 2 level)

The aim of the CR is to unprune the Party2's legal entity identifier (LEI)-dedicated fields in a settlement instruction and apply some validations in case the LEI is populated by the instructing T2S actor.

CRG agreement: The CRG agreed to put the Change Request on hold and re-discuss during the 23 October 2017 CRG meeting, based on further comments to be provided by the CRG members.

Action point:

- The CRG members will provide the ECB team with written comments on the CR by 8 September 2017.

5. Change Request ranking exercise for the T2S Release 3.0

CRG agreement: The CRG ranked the Change Request in the pipeline (see separate document with the ranking and supporting reasons per Change Request). The ranking includes general comments to the RMSG for their consideration in the context of the second lot for the T2S Release 3.0.

The 4CB informed that the detailed assessment for the CRs 609 and 654 will only include the preliminary documentation updates as small changes could be expected during the 4CB implementation. The CRG members indicated that they had a preference for receiving an updated CR, even if the CR has been previously approved, rather than having separate CRs documenting the new updates.

The CRG took note that the CR initiator of the CR T2S-0546-SYS (Indication for time-critical settlements - "settlement till" time-stamp) took the decision to withdraw the Change Request given its low business value.

Regarding the topic of future T2S upgrades due to ISO20022 Standards Releases, the CRG agreed that in the future the 4CB should always assess the impacts of such Standards Release on T2S messages, flat file reports and DMTs in the same step.

Key CRG comments to the RMSG:

- The CRs related to the CSDR Regulation (CSDR), i.e. CR no 600, 606, 607, 609 and 654 were placed at the top of the list given their mandatory nature. The CRs are currently under detailed assessment until 2 October 2017/ 23 October 2017 (CR-0654).
- CR 612 regarding the underlying upgrade of T2S messages to ISO Standard Release 2017, was also placed at the top of the list given its mandatory nature. The CR is currently under detailed assessment until 23 October 2017
- The 4CB informed the CRG that the documentation updates for the CRs 609 (T2S must be able to report 'PENF' settlement status for SIs for which settlement at the ISD is no longer possible) and 654 (T2S Penalty Mechanism), which are part of the 4CB detailed assessment, might need to be amended during the 4CB implementation given the complexity of the CRs. The CRG members agreed that such a CR update is only acceptable in exceptional cases and only if the update does not alter the CR requirements. The update should involve a description which is needed for the T2S Actors' implementation.
- Some of the amended message fields in the CR 612 (Alignment of T2S Messages with ISO Releases 2013 – 2017) could also be fields used in the flat file reports, Data Migration Tool (DMT) files and securities valuation flat files. The 4CB agreed to draft a related CR.
- The CRG recommends to the RMSG that the CRs related to the GUI redesign should be bundled together in a future release after T2S Release 3.0.
- The 4CB informed that based on their current planning, besides the two CRs suggested by the 4CB (i.e. new CR on flat file reports due to CR612 updates and CR614³), they have no capacity for further CRs that impact the *LCMM* module (Lifecycle Management and Matching) and limited capacity for CRs that impact the *A2A Interface* module in the T2S Release 3.0 given that the impact of the CRs related to the CSDR and ISO message upgrade is affecting these modules.

³ T2S-0614-SYS (Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported)

- Based on a 4CB proposal, the CRG discussed a joint implementation of the CRs 609 (T2S must be able to report 'PENF' settlement status for settlement instructions for which settlement at the Intended Settlement Date (ISD) is no longer possible) and 614 (Reason code FUTU (Instruction is awaiting the settlement date) should not be used for unmatched instructions) as the T2S Actor's adaptation and the 4CB's implementation effort would be minimised for the status advice message ([4CB analysis](#): slides 5-14). The topic will be further discussed in the CRG teleconference on 27 September 2017.
- The CRs 647 (T2S Actors should be allowed to extract bulk of outbound messages in XML format) and 662 (Possibility to extract bulk of settlement instruction details in csv format in case T2S reporting has not been produced) were taken out of the ranking as there is a separate discussion on alternative communication channel in the OMG.

Action points:

- The 4CB will raise a CR on the updates on flat file reports, DMT files and securities valuation flat files, following the alignment of T2S Messages with ISO Releases 2013 – 2017 (i.e. CR612), by the end of September 2017.
- The 4CB will check whether there is a benefit in implementing the Change Request 542 (Enrich camt.054 with data elements SAC Owner Parent BIC and SAC Owner Party BIC) together with the Change Request 590 (Include information from the underlying settlement instruction in the camt.053/camt.054 messages for Settlement, Custody/Asset servicing and Reconciliation). The 4CB will report to the CRG in the course of September 2017.
- The 4CB will indicate which Change Requests are not final and complete in addition to the Change Requests 520, 556 and 590 and will provide to the CRG the open points for all of them in the course of September 2017.
- The ECB team will update the name of the CR 567 and Clearstream wants to be removed as initiator of the Change Request.
- Monte Titoli and Clearstream, initiators of the CR T2S-0567-SYS (Functional measures to optimise the T2S Graphical User Interface performance) will clarify their position about the Change Request in the course of September 2017. Clearstream will also indicate whether the two tickets (PBI-154066 and PBI-154897) connected to the CR could be closed⁴.
- The ECB team will take the CR T2S-0546-SYS (Indication for time-critical settlements - "settlement till" time-stamp) out of the ranking as it has been withdrawn by the CR initiator, i.e. the Deutsche Bundesbank on behalf of the German NUG.
- The ECB team will provide the RMSG with the ranking ahead of the RMSG meeting of 27 September 2017.

⁴ After the CRG meeting, Monte Titoli and Clearstream informed the ECB team about their decision to withdraw the CR T2S-0567-SYS. Clearstream indicated that the two tickets (PBI-154066 and PBI-154897) should remain open until an editorial CR is raised to document the limitations.

6. Operational Governance Framework

The CRG took note of the Operational Governance Framework v2.4. Following the updated governance, the CRG discussed the following points:

- Timing of the Change Request ranking: The CRG agreed to follow a two-step approach regarding the timing of the ranking of the CRs. The CRG will rank individual CRs after their preliminary assessment. The CRG will perform a full review of the Change Request's business values and will revise the CR ranking in time for any RMSG proposal on *Baseline Release Scope* (dates to be derived from the T2S release calendar). In case of urgent CRs, the CRG should rank the CRs as soon as possible aiming at providing its input to the relevant RMSG meetings. The CRG secretariat will interact with the RMSG secretariat regarding the appropriate coordination procedures.
- Content of the Change Request ranking: The CRG agreed to provide, along with the ranking, additional considerations/recommendations regarding:
 1. the relevant functional, legal and/or harmonisation aspects;
 2. the need or not of having a CR in a specific release (i.e. urgent functional need) or the grouping of CRs for different purposes (e.g. according to urgency, impacted functionality, regulatory, etc).;
- Backlog of CRs: The new Operational Governance Framework states that only approved CRs can be ranked by the CRG (an exception is urgent CRs) but the current CRs in the backlog have not yet submitted to the Steering Level for approval. The CRG acknowledged that, in the new governance, the CR approval means the approval to include the CR in the ranking exercise and actually all the CRs have already been ranked.

Action point:

- The ECB team will prepare a discussion note regarding the impact of the revised Operational Governance Framework on the CRG role and tasks for the next CRG meeting (23 October 2017).

7. Any other business

The CRG also discussed the following topics:

Production incident INC204677 (Settlement instructions settle despite blocking restriction on ISIN)

The CRG members agreed that the T2S functionality should be changed in order to ensure that T2S blocks a transaction when either of the settlement instructions is impacted by an intraday restriction. The CRG also agreed that the UDFS should be updated in order to avoid any misunderstanding in the future about how T2S works. The CRG had a preference that the software resolution should be tackled via a production problem.

Action point:

- The 4CB will provide a note by the end of September 2017.

ISO Registration of T2S Pillar III Messages

The 4CB updated the CRG on the on-going work on this topic.

Action point:

- The 4CB will provide a status update in the next physical CRG meeting (23 October 2017)

Security without SME

The CRG was of the view that as a matter of principle (T2S Framework Agreement Article 21.6) there should not be securities without SME and agreed to inform the OMG about these findings for their consideration.

Action point:

- The ECB team will inform the OMG during the OMG meeting on 30-31 August 2017. The OMG shall be invited to discuss whether a new operational procedure could be implemented to reduce the number of securities without SME.

User authentication without USB-token (i.e. CR444)

The CRG took note that the German T2S National Stakeholder Group (NSG) has raised concerns regarding the cyber security risks of using a USB token during the T2S user identification process. In this context, the German NSG would like the Change Request T2S-0444-BFD (User authentication without USB-token/SmartCard for GUI-access) to be reconsidered. During the Information Security Sub-group (ISSG) meeting that took place on 13 July 2017, the ISSG was in agreement that strong authentication is a mandatory security requirement in T2S and that strong authentication has been implemented in T2S by a two-factor authentication (PIN and USB token). The German NSG should consider this feedback and provide input to the CRG.

Action point:

- Melanie Gulden-Jesse will provide the CRG with the German NSG input on the T2S two factor authentication.

<u>Participant's organisation</u>	<u>Name of participant</u>	
European Central Bank	Ms Karen Birkel	Chairperson
European Central Bank	Mr Alejandro Del Campo Roiz de la Parra	Rapporteur
European Central Bank	Mr Arpit Bhargava	
4CB	Mr Arno Friederich	
4CB	Ms Wilma Jagomast	
4CB	Ms Mariana Shkurtova	
4CB	Mr Dirk Beiermann	
4CB	Mr Victorien Goldscheider	
4CB	Mr Michael Jennings	
4CB	Mr Miguel Martinez Tahoces	
4CB	Mr Massimiliano Renzetti	
4CB	Mr Ruben Rubio	
4CB	Ms Anke Wagner-Gluth	
Clearstream	Mr Markus Glück	
Euroclear	Mr Dimitri Pattyn	
Euroclear	Mr Dan Toledano	
Monte Titoli	Mr Paolo Riccardo Pacei	
VP Securities	Mr Kristoffer Kjelse Soenderlev	
Banque Nationale de Belgique	Mr Koen Geenen	
Danmarks Nationalbank	Mr Frederik Jorst	
Deutsche Bundesbank	Ms Melanie Gulden-Jesse	
Bank of Greece	Mr Yorgos Korfiatis	
Banca d'Italia	Mr Michele Zaccagnino	
Banque centrale du Luxembourg	Mr Alexandre Briand	
De Nederlandsche Bank	Mr Erik Beunen	
Banque de France	Mr Mathias Le Morvan	
ABN AMRO Clearing	Mr Ton van Andel	
BNP Paribas Securities Services	Mr Giorgio Ferraro	
Deutsche Bank	Mr Marko Niederheide	
Société Générale	Mr Olivier Leveque	
LCH	Mr Pierre Peczi	