

## T2S CHANGE REVIEW GROUP

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### Outcome

## Meeting of the T2S Change Review Group (CRG)

17 September 2020, from 10:00 to 16:00

### 1. Introductory remarks and approval of the agenda

#### Outcome

The CRG Chairperson, Karen Birkel, welcomed the participants and introduced the meeting, held remotely due to COVID-19 precautionary measures.

The CRG took note that the impact on T2S releases of the re-planning of the T2-T2S Consolidation project had been discussed in the PMG. The Chairperson highlighted the main points as follows:

- The allocation of CRs to T2S releases is, with one exception (CR-6971 from R5.0 to R5.2), unchanged
- T2S Central Banks will start using the new BILL common component with R6.0 (June 2022), instead of R5.2 (November 2021). CR-697 and CR-7062 will be updated to that effect
- As communication between TARGET2 and T2S will still be needed after T2S switches to ESMIG connectivity in R6.0, CR-7013 will be updated to include a change to the current middleware. This change will not affect T2S users
- An ad hoc group including representatives from the T2S, T2 and ECMS communities will discuss how to organise testing and connectivity between environments, taking the needs of all TARGET Services into account

The CRG also took note that following the PMG proposal to re-allocate CR-692<sup>4</sup> from R4.2 to R5.0, T2S would not send status updates at cut-offs, when an instruction status changes from Pending to Failing, until R5.0. The ECB team will publish a note on the ECB website to clarify which parts of the T2S documentation for R4.2 no longer apply as a result of this late change to the release scope.

The CRG members approved the agenda of the meeting.

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<sup>1</sup> T2S-0697-SYS Billing common component development

<sup>2</sup> T2S-0706-SYS Billing common component – T2S Migration

<sup>3</sup> T2S-0701-SYS ESMIG impact on T2S

<sup>4</sup> T2S-0692-SYS Send status update message upon transition to 'Failing'

## 2. CRG action points

### 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-3760 (4CB to propose with the detailed assessment of CR-706 a workaround to the fact that 3-months billing history would not be migrated from current T2S Billing to the new BILL component): CRG members took note that the identified workaround is that the current T2S Billing will not be decommissioned immediately when the new BILL goes live, so as to guarantee access to historical billing data during the applicable retention period.
- AP-3907 (4CB to include the recommendation on buy-in instructions in the release note for R4.2): The EAC release note for R4.2 states that “the instructions already in the system before R 4.2 deployment with code BIYI will remain untouched, i.e. they will not be automatically updated to the new code. Since the CR-713 does not foresee to update the instructions with the new code, the users need to cancel all the instructions and re-instruct again.”

### **Follow-up action:**

- CRG members to confirm the closure of action points proposed for closure [2 October 2020]

## 3. Analysis of change requests

### 3.1 Change requests under implementation

- T2S-0383-URD (Possibility of submitting already matched cross-CSD settlement instructions)

### Outcome

The CRG took note of the explanations provided by 4CB on the message flows following the implementation of CR-383, clarifying in particular which entities would receive status updates whether the instructing party is an Indirectly Connected Participant (ICP) or a Directly Connected Participant (DCP).

A CRG member highlighted that one effect of CR-383 is that, in case an ICP sends to its CSD an already matched, cross-CSD instruction, that CSD should be prepared to receive from T2S (and forward to its ICP) status updates related to the counter-leg (i.e. for a securities account held in a different CSD. Such a scenario does not occur today).

Another CRG member highlighted that a DCP that is realigning securities between his accounts in different T2S markets via already matched cross border instructions will get duplicate status messages and settlement confirmations for the leg in the second CSD - once as Instructing Party in the first CSD and once as Securities Account Owner in the second CSD

### **Follow-up action:**

- ECB team to close the ongoing CRG written procedure on SDD updates to CR-383, CR-503<sup>5</sup> and CR-717<sup>6</sup> [18 September 2020]

<sup>5</sup> 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

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

**Outcome**

The CRG agreed to include in the scope of CR-629 a new query on liquidity information (LQIN), to be used by CLM only. This extension of the scope of CR-629 does not result in any cost increase.

**Follow-up action:**

- ECB to inform the other technical groups of the updated scope of CR-629 [25 September 2020]

- T2S-0680-SYS<sup>7</sup> and T2S-0714-SYS<sup>8</sup> – Clarifications on the T2S billing of information flows to ECMS

**Outcome**

The CRG took note of the explanations provided by the ECB team on the billing of information flows to ECMS, clarifying in particular that contractual relationships would be between CSDs and NCBs (as CSD participants). The ECB team also clarified that the detailed billing information provided by T2S would allow CSDs to allocate to the relevant NCB (as CSD participant) the charges triggered by the new reports/message flows introduced by CR-680 and CR-714.

The ECB team confirmed that the T2S Steering Level would be approached in October 2020 to decide whether transmission fees should be waived for the new flat file reports introduced by CR-680.

**Follow-up action:**

- ECB team to share with the OMG the presentation made to the CRG on the T2S billing of information flows to ECMS [25 September 2020]

- T2S-0690-SYS (Unprune fields in settlement alleggements)

**Outcome**

Subject to a confirmation by the 4CB that CR-690 would not remove any information from current T2S alleggements, the CRG agreed to update the UHB section to describe more accurately where the “Safekeeping account” information would be provided in the T2S GUI.

**Follow-up action:**

- 4CB to confirm that CR-690 would not remove any information from current T2S alleggements [18 September 2020]
- ECB to inform the other technical groups of the updates to CR-690 [25 September 2020]

<sup>6</sup> T2S-0717-URD T2S penalty mechanism: exemption from LMFP on settlement instructions created as a result of partially successful buy-ins

<sup>7</sup> T2S-0680-SYS T2S should allow ECMS to receive flat file statement of holdings, transactions and pending instructions at the level of securities accounts

<sup>8</sup> T2S-0714-SYS T2S should allow ECMS to receive the notifications of relocation instructions (sese.032 and sese.025)

### 3.2 Change requests already authorised (and not yet under implementation)

- Oral update on the delivery dates of ongoing detailed assessments

#### Outcome

The CRG took note that the detailed assessments of CR-701<sup>9</sup> and CR-706<sup>10</sup> would be delivered on 1 December 2020, while the new delivery dates of the detailed assessments of CR-699<sup>11</sup>, CR-700<sup>12</sup> and CR-707<sup>13</sup> are still being defined. CRG members also took note that following the PMG proposal to re-allocate CR-692 from R4.2 to R5.0 and CR-697 from R5.0 to R5.2, the reassessed deployment dates for CR-692 would be provided on 18 September 2020, while the delivery date for the detailed reassessment of CR-697 was still to be defined.

### 3.3 Change requests not yet authorised at T2S Steering Level

#### 3.3.1 Change requests under preliminary assessment

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

#### Outcome

The CRG took note of the simulated ranking of three subsets of requirements of CR-720:

- Cut-off based mechanism to cover a negative balance on an NCB account: #30/40
- Floor-based and ceiling-based mechanism: #36/40
- Failed settlement mechanism, triggered periodically: #40/40

Considering the business values provided, as well as the results of the preliminary assessment of CR-720, CRG members agreed to redefine the scope of CR-720 to include only the requirement of a cut-off based mechanism to cover a negative balance on an NCB account.

Based on the adjusted scope of the CR, the CRG agreed to recommend CR-720 for authorisation by the T2S Steering Level.

#### **Follow-up action:**

- ECB team and CR initiators to circulate an updated version of CR-720 reflecting its new scope [25 September 2020]
- Banque du Luxembourg to consider whether to raise the requirements de-scoped from CR-720 as a new CR [25 September 2020]

- T2S-0733-SYS (Definition of a classification of transactions for CB T2S data)

#### Outcome

<sup>9</sup> T2S-0701-SYS ESMIG impact on T2S

<sup>10</sup> T2S-0706-SYS Billing common component – T2S Migration

<sup>11</sup> T2S-0699-SYS Decommissioning LTSL, scope and definition of queries and reports and access specifications to Data Warehouse functionalities

<sup>12</sup> T2S-0700-SYS Legal Archiving common component for T2S

<sup>13</sup> T2S-0707-SYS T2-T2S Consolidation Business Day Management – T2S Migration

The ECB TARGET Analytical team explained that by classifying data in a homogeneous way, CR-733 will increase the usability and correctness of the Data Warehouse for users and for analytical purposes, which is key to achieving the objectives of a consolidated platform. The CRG agreed to document the value of the parameters for CR-733 as follows:

- Legal/business importance: High – By classifying data in a homogeneous way, CR-733 will increase the usability and correctness of the Data Warehouse for users and for analytical purposes.
- Market implementation efforts: Low – CR-733 does not require any adaptation by T2S users
- Operational/technical risk: Low – The classification of data is not expected to interfere with T2S operations
- Financial impact parameter: Low-Medium (Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high)

- T2S-0734-SYS (Allow 18 digits (of which max 2 decimals) in Amount fields of messages camt.004, camt.052, camt.053)

#### **Outcome**

The CRG agreed to document the value of the parameters for CR-734 as follows:

- Legal/business importance: High – Its implementation is needed to achieve the objectives of the T2-T2S Consolidation project.
- Market implementation efforts: Low – Only limited adaptations would be needed on users' side to cater for the new specifications of 6 message fields.
- Operational/technical risk: Low – Updates of field specifications are a frequent type of change in T2S, and in the case of CR-734, performed for consistency with other messages.
- Financial impact parameter: No cost impact on T2S as CR-734 is one of the T2S CRs related to the T2-T2S Consolidation project

#### **Follow-up action:**

- CRG members to provide business values for CR-734, in view of its inclusion in the CRG ranking [23 September 2020]

### **3.3.2 Candidates for preliminary assessment / Newly raised CRs**

- T2S-0739-SYS (Prioritise transactions with an older intended settlement date over newer ones also after ISD+3 of the newer transaction)

#### **Outcome**

The CRG took note that the rationale for CR-739 was a noticeable increase (although difficult to quantify) of cases where a newer instruction settles before an older instruction competing for the same resources. Some CRG members stressed that such cases were likely to become more problematic in the future, and reported more frequently, as buy-in processes will apply to more instructions when CSDR enters into force.

During the CRG discussion, the scope and requirements of CR-739 were clarified as follows:

- CR-739 is limited to the Real-Time Settlement period (Night Time Settlement processes are out of scope, as they were considered in CR-682 – later withdrawn)
- CR-739 should apply only to recycled transactions, and not to the first settlement attempt of a transaction; 4CB explained that T2S submits a new transaction to its first settlement attempt regardless of age and priority, and clarified that this behaviour is an explicit user requirement, dating back to the original design of the T2S real-time settlement processes.
- CR-739 is expected to reduce, but not fully eliminate the possibility of an unexpected order of settlement, due to parallel processing of transactions by T2S
- CR-739 must not have significant impacts on T2S performance

The CRG agreed that the CR should be amended to document explicitly the points listed above. Subject to these clarifications, CRG members agreed to launch the preliminary assessment of the CR.

**Follow-up action:**

- ECB team to distribute an updated version of CR-739 [25 September 2020]
- Euroclear/Iberclear (CR initiators) to gather relevant transaction references and statistics, where available, and provide them to the 4CB as additional material for the preliminary assessment of the CR [30 October 2020]
- 4CB to indicate the expected completion date of the preliminary assessment of CR-739 [date tbc]

- T2S-0740-SYS (No check of the Minimum Settlement Unit upon revalidation of partially settled instructions and partially settled settlement restrictions)

**Outcome**

The CRG agreed to launch the preliminary assessment of CR-740

**Follow-up action:**

- 4CB to indicate the expected completion date of the preliminary assessment of CR-740 [date tbc]

- T2S-0741-SYS (Enable settlement of custody-related settlement restrictions in NTS Sequence 1)

**Outcome**

This CR is the outcome of a bilateral discussion between the CR initiator and 4CB on a potential solution to incident INC 252816, with limited impact on T2S. The CRG took note of the request of the CR initiator to fast track CR-741, and considering that the background of the CR is an operational issue, agreed not to request a preliminary assessment of the CR. CRG members agreed that the requirements of CR-741 were stable and complete and recommended the CR for authorisation by the T2S Steering Level.

The CRG agreed to document the value of the parameters for CR-741 as follows:

- Legal/business importance: High – the change solves incident INC 252816 and thus prevents issues in processing of corporate actions, thus increasing operational stability.

- Market implementation efforts: Low – The change is optional for T2S Actors, and the implementation would only affect one field in a settlement restriction
- Operational/technical risk: Low – The change does not affect any SLA
- Financial impact parameter: To be provided when CR-741 is detailed assessed

- T2S-0742-SYS (Enable PFOD for external CSD settlement)

**Outcome**

The CRG took note of the request of the CR initiator to fast track CR-742. Considering that the background of the CR is to facilitate compliance with T2S CA standards also when settling market claims with external CSDs, the CRG agreed not to request a preliminary assessment of the CR. The CR initiator indicated that in their market, such external PFOD settlement would not be used, or very rarely, for the payment of CSDR penalties. CRG members agreed that the requirements of CR-742 were stable and complete and recommended the CR for authorisation by the T2S Steering Level.

The CRG agreed to document the value of the parameters for CR-742 as follows:

- Legal/business importance: High – the change enables CASG compliant handling of market claims in external CSD scenarios, thus supporting harmonization.
- Market implementation efforts: Low – the change has low implementation effort on T2S Actor side
- Operational/technical risk: Low – The change does not affect any SLA
- Financial impact parameter: To be provided when CR-742 is detailed assessed

**Follow-up action:**

- ECB team to inform CSDR-TF of the CRG recommendation on CR-742, considering that CSDR penalties will be settled via PFOD instructions when CSDR enters into force [18 September 2020]

- T2S-0743-BFD (Editorial updates to the GUI Business Functionality Document (related to CR-653, CR-654, CR-722 and CRG-PBR-0022))

**Follow-up action:**

- CRG members to provide their recommendation to the T2S Steering Level on the authorisation of CR-743 and the inclusion of the underlying editorial updates in the T2S BFD for release 5.0. [2 October 2020]

- T2S-0744-SYS (Multiplex Editorial Change Request on DMT, GFS, UDFS and UHB)

**Outcome**

The CRG took note that 4CB planned to add to CR-744 some editorial updates proposed in the clarification note SDD-PBR-0063 (see agenda item 5), once agreed by the OMG.

**Follow-up action:**

- 4CB to provide an updated CR-744 included editorial changes related to SDD-PBR-0063 [22 September 2020]
- CRG members to provide their recommendation to the T2S Steering Level on the authorisation of CR-744 and the inclusion of the underlying editorial updates in the T2S documentation for release 5.0. [2 October 2020]

- Oral update on potential upcoming CRs

#### **Outcome**

The CRG took note that ongoing discussions in various groups might result in new T2S CRs being raised, covering the following topics:

- Additional tool for the T2S Operator to manage contingency situations: this CR would be a follow up to the T2S incident of 26 May 2020, fast track processing and a close interaction with the OMG are expected when the CR is raised.
- Increased flexibility for the penalty computation currency in case of FOP instructions: CSDR Task Force to discuss the requirements on 18 September 2020, fast track processing is expected when the CR is raised
- Adjustment to the T2S penalty mechanism may be needed to reflect recent information on the volumetric and timing assumptions taken so far. A discussion is ongoing with OMG members on adjustments needed, which could take the form of a new, fast-track CR or a reassessment of CR-65414, depending on the moment the updated requirements are clear.

#### **4. Clarification notes**

- CRG-PBR-0022 (SDD updates for consistent cash forecast description)

#### **Outcome**

The CRG invited the ECB team to update Annex 2 (UDFS) of the note CRG-PBR-0022, to ensure that references to the next cash settlement day are made wherever applicable without having any impact on the T2S software (GUI). Subject to these modifications, the CRG approved the note and invited the ECB team to include the related editorial updates in an editorial change request for R5.0.

#### ***Follow-up action:***

- ECB team to raise an editorial CR covering the updates proposed in CRG-PBR-0022 [30 October 2020]

- SDD-PBR-0063 (PBI-210892 DMT behaviour to be aligned with CR575)

#### **Outcome**

The CRG agreed to the solution to PBI-210892 described in the clarification note SDD-PBR-0063, as well as to the related documentation updates.

<sup>14</sup> T2S-0654-URD T2S Penalty Mechanism

**Follow-up action:**

- ECB team to inform the OMG of the CRG view on SDD-PBR-0063 [18 September 2020]
- 4CB to provide an updated CR-744 included editorial changes related to SDD-PBR-0063 [22 September 2020]

## 5. Any other business

- 2020 full review of the CRG ranking

**Outcome**

CRG members took note that a business value was expected from each institution, for all CRs in scope of the full review exercise. The CRG also took note that a draft updated ranking would be produced and shared with both CRG and PMG members by 6 November 2020. The ranking is to be finalised in the next CRG meeting on 18 November 2020.

**Follow-up action:**

- ECB team to distribute a list of CRs eligible for business valuation [17 September 2020]
- CRG members to provide new/updated business values for all eligible CRs [2 November 2020]

- Proposed updates to the CRG mandate

**Outcome**

In addition to the changes proposed by the ECB team, CRG members agreed to propose further changes to the CRG mandate, in particular to mention that in case a consensus cannot be found, the Chairperson reports both majority and minority views to the relevant bodies.

The CRG took note that the ECB team would submit the proposed updates to the mandate of the CRG, along with proposed updates to the mandates of other technical groups, to the T2S Steering Level.

**Follow-up action:**

- ECB team to distribute the final version of the revised CRG mandate once approved at Steering Level [30 October 2020]

- Oral update on the upcoming replacement of Brainloop

**Outcome**

The CRG took note of the upcoming replacement of Brainloop by ASTRA, as a secure workspace for the distribution of CRG documentation. The ECB team indicated that the objective would be to migrate CRG user accounts and documentation by mid-October 2020.

**Follow-up action:**

- ECB to provide relevant documentation for the migration from Brainloop to ASTRA, from a user perspective [9 October 2020]

- Planning of SDD updates for R5.2 and R6.0

**Outcome**

The CRG took note of the proposed timeline for the review and publication of T2S scope defining documents related to R5.2 and R6.0, as well as of the PMG request to anticipate the delivery of draft SDDs for R6.0 to mid-December 2020.

**Follow-up action:**

- 4CB to provide an updated timeline for R6.0 following the investigation of the PMG request [30 October 2020]

- Updated follow-up note on the 20/5/2020 workshop on NTS algorithms

**Outcome**

The CRG approved the updates proposed to the follow-up note on the 20/5/2020 workshop on NTS algorithms, and confirmed that the note could be considered as final.

**Follow-up action:**

- 4CB to report on the progress of the further investigation of the multi-criteria optimisation functionality of the solver used during T2S Night time settlement [18 November 2020]

- Update on the consumption of CR implementation capacity

**Outcome**

The CRG took note of the 4CB update on capacity consumption, as well as of the fact that negative figures in the document were the consequence of the agreement, at T2S Steering Level, that the utilisation of T2S capacity for the implementation of CRs related to T2-T2S Consolidation should be displayed as a reduction of the overall capacity.

**5.1 CRG meeting dates**

The following CRG meetings are planned in 2020-2021 (to be confirmed at least 4 weeks in advance)

18 November 2020	18/11 10:00-16:00	Webex
19 January 2021	19/01 09:30-17:30	ECB Main building
24 March 2021	24/03 09:30-17:30	ECB Main building
25 May 2021	25/05 09:30-17:30	ECB Main building
7 July 2021	07/07 10:00-16:00	Webex
10 September 2021	10/09 10:00-16:00	Webex
9 November 2021	09/11 09:30-17:30	ECB Main building

**Outcome**

The CRG took note of the proposed meeting dates for 2021

