EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REVIEW GROUP

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Outcome

Meeting of the T2S Change Review Group (CRG)

8 October 2019, from 09:30 to 17:30

1. Introductory session

Outcome

The CRG chairperson, Dimitri Pattyn, welcomed the participants and introduced the meeting.

In particular, CRG participants were informed of the following:

- The final version of the updated T2S Operational Governance Framework will be shared with technical groups and presented to the CSG end October 2019.

- On 4 September 2019, the PMG did not follow the 4CB recommendation to activate CR-692 (Send status update message upon transition to 'Failing') as part of release 4.0. Instead, the PMG considered that the activation date of CR-692 should be proposed by the OMG. It is expected that the activation date of CR-692 proposed by the OMG will be linked to the entry into force of the CSDR Record keeping requirements, and this date could be outside of a T2S release deployment date. As a result, the scope of CR-692 should remain limited to the activation of the full reporting of the Failing status. In particular, the CR was not modified to include the removal of the switch functionality, a change which had been considered in the CRG meeting of 3 September 2019.

- 4CB expect to raise shortly after the OMG meeting on 23 October 2019 a new change request describing changes needed to the T2S solution for non-repudiation of origin in U2A mode, due to the end of support for the current solution by browser vendors. A fast-track procedure should be considered for this CR.

2. CRG action points list

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-3345 (Results of non-functional testing on CR600, 606 and 609): the results of the non-functional tests for R3.0 (CR-600) did not show a significant increase in CPU consumption. The results of NFT for R3.2 (CR-606 and CR-609) do show an increase in CPU consumption, to be further monitored in UTEST

for the NFT update for PROD go/no-go and during the first weeks in PROD of R3.2. Further discussions may be planned in the OMG and PMG to confirm the need of the assessed capacity increase.

- AP-3804 (ECB team to seek the views of relevant TIPS and T2 governance bodies on the proposed approach to manage the diverging BIC patterns across ISO messages): the adoption of the new BIC pattern wherever possible was presented to the TSWG, and adopted for T2 as well as for messages used by common components. A risk will be raised within the T2S structures to monitor the theoretical possibility that ISO would issue a new BIC before all T2S messages support it. For T2S messages which are not part also of the T2 message scope, the old pattern will be kept until the new pattern is available in all T2S messages.

3. Analysis of change requests

3.1 Change requests under implementation
- T2S-0609-SYS (T2S to report settlement status 'Failing')
- T2S-0653-URD (Partial release functionality)

Outcome

Considering that the T2S documentation for release 3.2 does not include detailed examples of scenarios combining the changes introduced by CR-609 (T2S to report settlement status 'Failing') and those introduced by CR-653 (Partial release functionality), the CRG members agreed that such examples should be included in the T2S documentation for R4.0. In the meantime, CRG members invited the 4CB to provide to the CRG and PMG a clarification note describing the expected behaviour of T2S, for further circulation to the relevant groups.

Follow-up action:

- 4CB to provide to the CRG and PMG a clarification note describing the T2S reporting in case a failing instruction (CR-609) is partially released (CR-653) [11 October 2019]

- T2S-0654-URD (T2S Penalty mechanism)

Outcome

The ECB team provided an update on recent discussions in the CSDR Task Force, and invited CRG members to provide any comments on the updated annexes of CR-654 by 25 October 2019. The 4CB clarified that, as indicated in the CR detailed assessment, with these updated annexes, the proposed documentation wording (including UDFS) for CR-654 was complete – subject to their review by the CRG and CSDR Task Force.

Follow-up action:

- CRG to provide comments on the updates to CR-654 and its annexes [25 October 2019]

3.2 Change requests already ranked/authorised/recommended for authorisation
- T2S-0707-SYS (T2-T2S Consolidation Business Day Management – T2S Migration)

Outcome

The CRG took note that the preliminary assessment of CR-707 had been updated to highlight that some changes to the XML schemas used by the BDM business interface should be expected, for instance the camt.019. The CRG confirmed its earlier recommendation that the T2S Steering Level should authorise CR-707.

- T2S-0709-URD (Make the mandatory automated cash sweep at 17:45 optional)

Outcome

The CRG took note that the OMG had raised no concerns with the envisaged solution design for CR-709, and agreed to an updated wording of the CR reflecting the logic for T2S to generate/send a general ledger file to T2-CLM as discussed in the CRG meeting on 3 September 2019.

CRG members pointed out that the wording of CR-709 could be improved to clarify that CR-709 would be dormant until the go-live of T2-T2S Consolidation. Subject to this modification, the CRG confirmed its earlier recommendation that the T2S Steering Level should authorise CR-709.

Follow-up action:

- ECB team to provide an updated version of CR-709 clarifying that CR-709 will be effectively "switched off" in Production from R5.0 until the T2-T2S Consolidation go-live (i.e. release 5.2). Remaining balances on T2S DCAs will continue to be mandatorily swept at end-of-day until then. [11 October 2019]

- T2S-0711-SYS (Recovery Building Processes)

Outcome

The ECB team provided an update to the CRG on the current status of the detailed assessment of CR-711, which is primarily discussed in the dedicated Task Force of the Security Managers Group (SMG-TF).

Follow-up action:

- ECB team to provide to CRG members the high-level design document accompanying CR-711, once its third iteration is discussed in the SMG-TF [18 December 2019]

- 4CB to provide the detailed assessment of CR-711 [18 December 2019]

3.3 Preliminary assessed change requests / CRs under preliminary assessment
- T2S-0696-SYS (CRDM for T2-T2S Consolidation – New Objects)
- T2S-0721-SYS (CRDM for T2-T2S Consolidation – Re-used Objects)

Outcome

The CRG approved changes to CR-696 to limit its scope to new CRDM objects created for T2 purposes, and had no questions on the drafting of CR-721. The CRG agreed to recommend both Change requests for authorisation by the T2S Steering level.

The ECB team informed CRG members that the PMG would be invited to recommend the inclusion of CR-719 (CRDM for T2-T2S Consolidation – Modified Objects) in R4.0 on 15 October 2019.

- T2S-0699-SYS (Decommissioning LTSI, scope and definition of queries and reports and access specifications to Data Warehouse functionalities)

Outcome

The CRG took note that CR-699 had been updated to state that T2S data should be available in the consolidated Data Warehouse from D+1. The CRG agreed to recommend the updated CR-699 for authorisation by the T2S Steering level.

- T2S-0700-SYS (Legal archiving common component for T2S)

Outcome

CRG participants were informed of the provisional conclusions of the workshop on legal archiving (19 September 2019). Once finalised, these conclusions will be shared with the CRG and presented to the T2S Steering Level. The preliminary assessment of CR-700 will continue on the basis of this updated scope.

3.4 Newly raised CRs / Candidates for preliminary assessment

- T2S-0717-URD (T2S penalty mechanism: exemption from LMFP on settlement instructions created as a result of partially successful buy-ins)

Outcome

The CRG approved a version of CR-717 updated to reflect the solution design discussed in the CRG on 3 September 2019, using a new settlement transaction condition indicator code to identify the instructions targeted by the CR. The CRG requested the preliminary assessment of the updated version of CR-717.

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

Outcome

Some CRG members reported an interest, albeit limited, in their communities for the functionalities described in CR-720. Several central banks supported the CR as an automated means to avoid negative overnight balances on T2S NCB DCAs.

CRG members requested the following points to be clarified in CR-720:

- The new functionalities should be optional, and they should not affect existing T2S functionalities.

- The solution design should allow the new functionalities to be available to other currencies than EUR without significant costs in T2S. Some adaptations may be needed on the side of RTGS systems beyond T2, wishing to make use of CR-720.

- In case of a lack of cash, T2S should pull liquidity from CLM, as described in CR-720, only if it cannot be solved first via auto-collateralisation.

- In case intraday credit cannot be reimbursed, T2S should trigger the relocation process only if it cannot be reimbursed first by pulling liquidity from CLM as described in CR-720.

- DCA holders should have the possibility to define themselves the floor and ceiling amounts triggering liquidity transfers on their accounts.

Follow-up action:

- Banque du Luxembourg and Deutsche Bundesbank to update CR-720 based on the CRG discussion [18 October 2019]

- ECB team to invite the CRG to launch the preliminary assessment of CR-720 [27 November 2019]

- ECB team to confirm, based on T2 governance (TSWG) discussions, that for the assessment of CR-720, T2 should be assumed not to support Liquidity transfer debit orders (camt.051) [27 November 2019]

4. Updated CRG ranking

- CRG ranking as of 20 September 2019

Outcome

The CRG approved the updated ranking of change requests, taking into account the business values and comments provided by CRG members until 20 September 2019.

CRG members agreed to automatically consider for withdrawal CRs that have the lowest business values, and requested the ECB team to initiate such a process based on the updated CR ranking.

Follow-up action:

- ECB to inform the PMG members of the updated CR ranking and of the comments of the CRG for their attention [9 October 2019]

- CRG members to invite initiators of CRs with low business values (list to be complied by ECB team) to withdraw these CRs [8 November 2019]

5. Clarification notes

- Clearstream note on cases of redundant T2S messages

Outcome

The CRG took note of the view of Clearstream that T2S was sending, in some cases, redundant messages such as status updates not bringing additional business information. Considering that these cases are consistent with the T2S specifications, CRG members agreed that interested CRG members should raise a new change request to amend the T2S specifications and behaviour.

Follow-up action:

- Clearstream to raise a CR to avoid cases where T2S sends redundant messages [27 November 2019]

  - CRG-PBR-0017 (Additional PRCY message with CRs 653 and 609)

Outcome

CRG members approved the clarification note CRG-PBR-0017 and the documentation update it foresees, to be formally included in an editorial change request.

- CRG-PBR-0018 (T2S processing in case of INFO links)

Outcome

Some CRG members considered that the T2S behaviour explained in the clarification note CRG-PBR-0018 is inconsistent with the T2S specifications. A CRG member suggested to correct this behaviour by not carrying out privilege checks on INFO links. The chairperson invited the 4CB to consider

this suggestion as well as potential alternatives, and to propose a way forward when the note is discussed by the CRG again.

Follow-up action:

- 4CB to consider the optimal solution to modify the T2S behaviour described in the note CRG-PBR-0018 [27 November 2019]

- SDD-PBR-0052 (Management of negative integer fields in U2A)

Outcome

The CRG supported the software change described in the note and the related documentation updates, and recommended to the OMG the approval of the note and the underlying PBI resolution.

Follow-up action:

- ECB team to inform the OMG of the CRG recommendation on SDD-PBR-0052

6. Long-term evolution of messages in the T2S portfolio

- Message-related topics to be covered by a long term evolution strategy

Outcome

The CRG took note that harmonised message structure, data formats, and the removal of coexistence rules were part of ongoing ECB/4CB discussions on the long-term evolution of messages used in Target services.

The ECB team invited CRG members to provide initial views on these topics to feed into a proposal for the long-term evolution of messages. Some CRG members already indicated the following:

- In practice, beyond queries and reports, there seem to be little dependencies between messages used in the payments area and messages used for securities settlement. For instance, during the meeting only one case was identified where a "cash" reference may be reported in a "securities" message: this could occur when a cash restriction and a settlement instruction are linked. The frequency of such cases should be confirmed by a thorough analysis, but they are not expected to be the main driver for aligning message specifications across Target services.

- Having consistent message structures, consistent datatypes and consistent character sets across Target services is supported as a general principle and long term objective. However, whenever it is proposed to modify a message in line with this objective, the impact should be analysed on a case by case basis to avoid unintended consequences.

- In particular, in the short and medium term, some CRG members expect the T2S customisations resulting from "coexistence rules" to remain, at least for messages where removing these rules would affect the ability of T2S users to communicate T2S data to their customers using ISO15022 messages.

Follow-up action:

- CRG members to provide additional comments/views on the presentation made during the CRG meeting [8 November 2019]

7.   Any other business

- Update on GDPR discussions (oral contribution)

Outcome

CRG members took note that discussions on the General Data Protection Regulation of the European Union (GDPR) at the T2S Steering Level had been progressing throughout 2019, and might lead to a new change request in the coming months.

7.1   CRG meeting dates

The following CRG meetings are planned in 2019-2020 (to be confirmed at least 4 weeks in advance):

- 27 November 2019   27/11 09:30-17:30   ECB Main building
- 22 January 2020   22/01 09:30-17:30   ECB Main building
- 13 February 2020   Consultative workshop on BILL and BDM GUI
- 4 March 2020   04/03 09:30-17:30   ECB Main building
- 13 May 2020   Consultative workshop on CRDM (CSDs)
- 26 May 2020   26/05 09:30-17:30   ECB Main building
- 10 June 2020   Consultative workshop on CRDM (CBs)
- 2 July 2020   02/07 09:30-17:30   ECB Main building
- ~~25 August 2020   25/08 09:30-17:30   ECB Main building~~
- <u>17 September 2020   17/09 09:30-17:30   ECB Main building</u>
- 18 November 2020   18/11 09:30-17:30   ECB Main building