

TARGET2-SECURITIES

National User Group (NUG)

Madrid, 2 March 2017 (9:30-11:30 AM). Europa Meeting Room

1. Introduction

The president informed that the T2S National User Groups will expand the scope of the discussions beyond T2S, including topics related to collateral.

Item 1.1 on the latest developments regarding the legislative changes was added to the agenda.

The Treasury representative informed about the public consultation prior to the amendment of Royal Decree 878/2015, which is going to be published by the end of next week. The plan is to present the articulated text by the end of March.

2. Eurosystem updates:

The migration of wave 4 took place on the first weekend of February, involving six CSDs (Germany, Austria, Hungary, Luxembourg (LuxCSD), Slovakia and Slovenia). The migration weekend started on 3 February in the afternoon. The migration took place without any relevant incidents, although the volumes were high and the timing was very tight. In each of the activities of the migration processes, timing was reduced compared to the plan, reaching the point of no return with three and a half hours in advance. After the migration of wave 4, the platform works smoothly, without delays or significant incidents. The number of transactions settled in T2S now has more than doubled compared to January 2017, reaching an average of more than 550,000 daily operations. As a result, approximately 90% of the total expected volume is settled in T2S.

3. Adaptation status in Spain

3.1 Iberclear

a) Project status

During the bilateral meeting between Iberclear and the ECB, which took place on 28 February, it was reconfirmed that the Spanish community is progressing as planned, although without any buffer.

The number of enquires to the UCR increased and it affects the speed of replies. Iberclear is taking measures to reduce the time of response.

b) Participants support plan

The entry of Block I and Block II has been delayed one week and the deadline for the participants' certification of Block I has been extended until 31 March. On 20 February, the documentation about the first migration dress rehearsal and on the communications to the PTI during the migration weekend were published. The communication plan during the migration weekend and the changes requested by the entities, and approved by the CTA, are still pending publication. Regarding the Manual of Procedures, a new draft of the manuals of ARCO and the PTI were published on 23 February.

Iberclear's migration test in February ended approximately 4 hours in advance and it recorded a success rate of 99.9%. It did not include corporate events or communications with third parties.

The certification tests of the participants reached 5%. To facilitate these certification tests, a set of measures were approved by the CTA, such as: (i) the delay of Block I certification until 31 March; (ii) the participants that have to be certified in A2A mode will not have to do so also by the BME-PC and (iii) providing the first certification report to the participants.

A questionnaire was sent to the entities to assess the status of the developments and identify the needs and the improvements for the entry into community testing. The deadline to respond is 7 March.

3.2 BME Clearing

a) Project status

BME Clearing reported that, on the migration weekend dress rehearsal, the ability to read the messages and send communications will be tested. BME Clearing will also check the effect of the T2S settlement algorithm on the settlement volumes and on the liquidity needs.

The migration of the pending transactions will be done by the central counterparty without the intervention of the entities. Participants were asked to verify that the information matches.

3.3 Banco de España

a) Support to participants

The number of participants in T2-BE is 58, of which 32% has indirect connectivity and 68% has direct connectivity. About the legal documentation, 94% of the drafts received are compliant. As for static data, 98% is uploaded.

The next T2S cash info session will take place on 3 March. Participants will be informed about the migration phases, the migration tests and the specific tests of the Banco de España.

4. Participants: tour de table

Participants reported on the status of their adaptations to T2S migration, with an increase in the development rates compared to the previous month. Some entities pointed out the need to coordinate the calendar of autocollateralization and the public debt auctions testing between Iberclear and Banco de España to avoid duplicating the test. They also indicated the need for business day testing before August and the possibility of having an additional weekend migration test in June, followed by the business day testing. Iberclear reported that the additional test has already been requested to the ECB.

The entities requested Iberclear more information from the UCR on the failed tests, indicating the reason of the fail.

One participant asked if authorities plan to regulate an alternative type of transaction for the retail client to replace the so called current Spanish repo. The NUG was informed that T2S does not have the functionality to support the Spanish repo and that there is no plan to regulate specific new instruments.

Some participants were concerned about the definition of the Party 2 field in the settlement instructions. It was pointed out that the matching fields in T2S is a controversial topic and there are still pending issues due to lack of consensus among the CSDs. It is expected to be re-analyzed in T2S after the end of the migration period. Iberclear stressed the importance of maintaining the criteria of the registered owner as planned, without changes before the migration due to lack of time. The CNMV informed that the Coordination Committee would discuss this topic in the March meeting. The chairperson of the NUG stressed that the priority for the Spanish community is to comply with the migration plan.

It was reminded that foreign central counterparties and trading venues (EuroCCP, LCH.Clearnet.SA, LCH.Clearnet.Ltd and EuroMTS) should be involved in the tests. Although not all of them are prepared for the March migration weekend tests, it is critical that they do so for the May migration weekend tests.

5. Other issues: AMISeCo

5.1 CSG information

Jesús Benito reported the main issues from the last CSG meeting.

5.2 Harmonization and Restriction Rules of CSDs

The 7th harmonization report of T2S was published on 31 January 2017, focusing on the markets of the third and fourth waves and on other issues on the agenda of the European authorities related to post-trading integration: CSDR/CMU. The main conclusions are that there has been progress in complying with T2S standards, since the previous report, and that the standards with most gaps are still corporate events, where the progress is slower. The third wave markets have a high level of compliance and those of the fourth wave comply with all standards, excluding in both cases those of corporate events. Two new progress reports (mid-year and year-end) will be published in 2017.

The catalog of CSD restrictions in T2S covers for the first time all CSDs. Restrictions are required validations for CSDs in addition to those of T2S, and most of them are defined for corporate event management. The objective of the analysis is to quantify the impact that

the restriction rules set by a CSD have on the rest of CSDs. Several CSDs have reported that the set up of restrictions as investor CSD has been very limited. However, information should be treated with caution until all CSDs are in T2S.

5.3 Deliberations on the mobilization of collateral for Eurosystem credit operations

The Eurosystem is analyzing how cross-border collateral mobilization for Eurosystem credit operations can be improved, achieving an easy and safe mobilization of the collateral in a quick and efficient way, bearing in mind that T2S is already operational.

6. Questions and answers

7. Dates for the next meetings

The next meetings are scheduled on the 27 March, 21 April and 25 May.

The presentations used during the meeting are available on the Banco de España website: http://www.bde.es/bde/en/areas/sispago/Sistemas_de_comp/TARGET2-Securiti/Documentacion_de_trabajo.html

Annex. Participants in the XXXIV Meeting of the Spanish National User Group, 2 March 2017

Participants. Group Members

Juan Ayuso
Carlos Conesa
Montserrat Jiménez
Javier Ruíz del Pozo
María José Ausejo
Ana Puente
Pablo Lanuza Lagunilla
Jesús Benito
Berta Ares
Laura Puente
Mercedes Irigaray
Xavier Aguilá
Julio Alcántara
Ignacio Santillán
Pilar Clavería
José Luis Rebollo
Francisco Javier Planelles Cantarero
Alexis Thompson
Fernando García Rojo
Ana Martín Espinaco
Amadeo Lázaro Fernández
Claudio Sancho Corrales
Inmaculada Andrade Valderrama
María José Teva
Neus Martí
José Luis Calleja
Maribel Cortes de Nava
Marta Lourdes de Nova
Nieves Mayorga
Carlos Luengo
María Belén Muñoz
Manuel Pineda
Lily Corredor
Gema Moreno
Francisco Béjar
José-Antonio Aldama

Institutions

Banco de España
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Banco de España
CNMV
CNMV
D.G. del Tesoro
D.G. del Tesoro
Iberclear
Iberclear
Iberclear
BME Clearing
BME Clearing
AIAF
FOGAIN
AEB
CECA
CECA
BBVA
BBVA
BBVA
Santander
Santander
Caixabank
Caixabank
Banco Sabadell
Bankia
Bankia
Bankinter
Bankinter
Banco Cooperativo
Banco Cooperativo
Citibank
Ibercaja
Société Générale
BNP Paribas SS
Deutsche Bank

Asistentes. Observadores

Jesús Pérez Bonilla
Fernando Castaño
Luis Miguel Rodríguez Caramelo
María José García Ravassa
Maite Arraez
M^{ra} Ángeles Colombás
José Peña

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