

TARGET2-SECURITIES

National User Group

Madrid, 17th of October, 2016 – (9:30-11:30). Room: Sala Europa

1. Introductory remarks

The Chairman welcomed the participants and, with respect to the coordination between the T2S NUG and the Coordination Committee, clarified that the NUG will continue dealing with issues referring to the migration to T2S and meetings will be organized more frequently at this stage. The CNMV and Banco de España will coordinate the meetings of both groups to the extent possible.

Concerning the public debt market, the chairman clarified the following issues:

- With regard to the possibility that primary dealers may hold their securities in an individual account at Iberclear, instead of their own account, the participants were informed that this topic is going to be discussed with the Spanish Treasury together with the necessary regulatory adaptations for the public debt market. Bearing in mind that this change cannot be confirmed at this moment, the participants need to be ready for the migration to T2S according to the current regulatory framework.
- The requirement to settle the cash leg of public debt primary market transactions remains applicable, i.e.: settlement in a dedicated cash account in T2S linked to the T2 account, both held at Banco de España. Some participants shared their concerns about this information arguing that their plans are to concentrate the cash settlement in another central bank. Banco de España indicated that this issue will be further investigated and feedback will be provided in the following NUG meeting.
- The result of the public debt securities auctions settlement process will remain at the level of the primary dealer securities account. The distribution of the securities will be done, subsequently, by the primary dealer among its clients.
- The procedures described in the Circular of Banco de España 2/2007 need to be updated to take into account that the so called “Spanish repo” operations cannot be used after the migration to T2S. Considering that this modification is linked to other regulatory changes (Orden Ministerial 19 May 1987 and Real Decreto 505/1987), the revision will be done in the context of the general review of the regulation of the public debt market.

As general remark, it was mentioned that Banco de España is working together with the Spanish Treasury and the CNMV in the revision of the regulatory framework for the public debt market.

2. TARGET2-Securities status update

Since the last NUG meeting, the most relevant milestone has been the migration of the CSDs of the third wave (Euroclear France, Belgium and Netherlands, together with VP Lux and VP Securities) on 12 September. The process was managed smoothly and T2S is

running satisfactorily, with a volume of settlement instructions around 45% of the total volume expected by the end of the migration phase.

The next migration window will take place in February 2017 and will include, among others, Clearstream Banking Frankfurt. With this window, the volume would reach 90% of the expected total amount.

3. Iberclear

3.1. New calendar of the Project

- The revised calendar for the testing and migration in T2S was presented. It takes into account the answers of the participants to a questionnaire. Around 50% of the participants indicated that they were not able to start “end-to-end” test cases by 24 October 2016, and confirmed that they would be ready by January 2017. Most participants considered the new calendar realistic and feasible, although very tight.
- The certification testing will start in January 2017, although the testing environment will be available to participants, from 24 October, for static data and connectivity. The settlement instructions tests will start on 11 November.
- It was considered convenient to anticipate business day testing as of March 2017 (with a monthly frequency). Iberclear, with the support of Banco de España, will present the proposal to the ECB.

3.2. Iberclear adaptations

Iberclear is progressing well with its internal adaptations and expects to finish according to the plan.

3.3. Support plan to participants

- Iberclear presented the status of the recent publications on the support plan, together with the documentation available which has presented on recent workshops held with the Spanish community about connectivity, certification testing and optional testing. In addition, the template with the letter for certification is being prepared.
- A new group will be established to provide support to directly connected participants.

4. BME Clearing

4.1. BME Clearing adaptations status update – Equities

- BME Clearing is working to coordinate the timetable with other central counterparties which clears Spanish securities and settles in Iberclear, although some information is missing at this stage.
- The 16:00h limitation for the registered securities and the SICAVs would not apply in the end.
- BME Clearing (equities) will start testing already on 24 October 2016 and 11 November 2016, respectively.

4.2. BME Clearing adaptations status update – Fixed Income

-BME Clearing found a more efficient solution as an alternative to the foreseen link functionality to manage the settlement of repo transactions, under which a reference will be included in the instructions that will allow to monitor the settlement in T2S. The documentation will be updated accordingly.

-It is under assessment the possibility to accept client clearing arrangements, using individual accounts.

5. Banco de España

5.1 Support to participants

-The seventh informative session is foreseen next 25 October 2016. The following topics will be covered: migration activities from the perspective of cash settlement, account structure, auto-collateralisation, cash management and other pending topics.

-The participants were reminded about the 1st of December deadline to declare whether U2A will be used or not to connect to DCAs in T2S.

-Draft versions of the legal documentation will be validated during October and November (power of attorney, legal opinions and certification testing documents).

-Participants were also reminded about the need to plan in advance the allocation of resources and the budget needed for testing activities to be performed between February and September 2017 (including July and August).

6. Tour de table: participants status update

6.1. Planning and development

The participants informed about the progress they have achieved in their adaptations for the migration to T2S. In general, the new calendar was accepted and deemed feasible by most of the participants.

Some participants flagged that the first set of test cases (known as “Bloque I”), is still very ambitious as it concentrates most of the functionalities and test cases in the first quarter of 2017. Iberclear argued that this calendar is necessary to start Community Testing.

Some participants suggested that it would be convenient to use different profiles to group them and allocate the test cases according to the functionalities that they plan to use in T2S. Iberclear confirmed that participants could inform about test cases referring to functionalities they plan not to use in T2S and this would be taken into account for the definition of the scope for the certification testing activities.

The entities with large international participations stated that resource allocation is subject to certain limitations linked to the migration of the fourth wave. The chairman insisted on the idea that it should not be understood as a constraint for the migration of the Spanish market and that insufficient allocation of resources should not put at risk the migration of Iberclear to T2S on time.

Some participants flagged the risk stemming from uncertainty about possible changes linked to the role of primary dealers. They also insisted on the importance of actively involving trading platforms and foreign central counterparties activity in the testing activities.

7. Next NUG meeting

The next meeting of the Spanish NUG is planned next 24 November at 9:30h.

The slide presentations used during the meeting are available in 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 XXX Meeting of the Spanish National User Group, 17 October 2016

Participants. Group Members

Javier Alonso Ruíz-Ojeda
Jesús López Pedruelo
Montserrat Jiménez
Javier Ruíz del Pozo
Bárbara Gullón
Jesús Benito
Jaime Silió
Laura Puente
Mercedes Irigaray
Xavier Aguila
Julio Alcántara
Pilar Clavería
Ignacio Santillán
Daniel Saeta Martínez
Fernando García
Amadeo Lázaro
Inmaculada Andrade Valderrama
María José Teva
Neus Martí Audí
José Luis Calleja
Maribel Cortes de Nava
Lily Corredor
Francisco Béjar
Thomas Steinman
Marta Lourdes de Nova
Nieves Mayorga
Manuel Pineda

Institutions

Banco de España
BE/Consejo de T2S
Banco de España
CNMV
CNMV
Iberclear
Iberclear
Iberclear
BME Clearing
BME Clearing
AIAF
AEB
FOGAIN
BBVA
BBVA
Santander
Caixabank
Caixabank
Banco Sabadell
Bankia
Bankia
Ibercaja
BNP Paribas SS
Deutsche Bank
Bankinter
Bankinter
Citibank

Observers

Jesús Pérez Bonilla
Fernando Castaño
Luis Miguel Rodríguez Caramelo
M^a Teresa Arráez
M^a Angeles Colombás
M^a José García Ravassa
José Peña

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