

TARGET2-SECURITIES

National User Group

Madrid, 8 September 2016 – (10:30-12:30). Room: Sala Europa

1. Introductory remarks

The Chairman welcomed the participants and reminded the agreement reached in July on the supervision model (PTI) for fixed income securities, which closes this relevant issue for the second phase of the reform.

He highlighted that the entities should provide the necessary resources to migrate to T2S in September 2017, duplicating efforts if required to avoid delays in their developments due to other adaptations such as the stock market settlement cycle adaptation to T+2 or the migration of other CSDs.

Regarding the public debt market, Banco de España is working with the Treasury to clarify some questions in the context of the adaptations to T2S. However, the Chairman reiterated the need of progressing in technical developments according to the current regulatory framework.

2. TARGET2-Securities status update

The following topics were reported:

- i) The Advisory Group (AG) endorsed the latest mid-year harmonization report of T2S, which focuses on the markets that will migrate in the third and fourth waves. The activity requiring more efforts is again the corporate events. The report will be published in the coming days.
- ii) The AG full members and observers were nominated for a term of 6 months, until December 2016, instead of for 2 years due to the future new set up of the market contact groups in the field of Eurosystem market infrastructures.
- iii) The version 1.1.5 of the T2S software was put in production on 27 August without incidents.
- iv) The migration of the third wave (Euroclear France, Belgium and the Netherlands, VP Securities and VP Lux) will start on 9 September in the afternoon. 4CB's teams will support it during the weekend. Banco de España, as part of the 4CB, will actively participate in the migration.

3. Calendar for the Spanish market migration to T2S

The update of the calendar is pending on the publication of several documents and the testing dates by Iberclear.

4. Iberclear

4.1. Status update of Iberclear adaptations

A slight delay in its development was reported by Iberclear, which is expected to be recovered before the start of the participant's testing (scheduled for 24 October).

Some entities expressed concerns on the tightness of the testing schedule and the fact that the certification testing starts from the beginning. Additionally, they asked for clarifications concerning the massive tests.

Iberclear will review the calendar to reach a realistic consensus after considering the answers of the entities to the questionnaire. Some direct connected participants requested bilateral meetings with Iberclear.

In addition, Iberclear clarified that all the deliverables could be tested during the testing period.

The manuals on the supervision and the information system for fixed income securities will be published in October.

4.2. Iberclear: Community Support Plan

Iberclear held two meetings with its participants in July. Specific "workshops" at the end of September and at the beginning of October will be organized. In addition, a new section is now available in the Iberclear website for supporting the entities. Specific testing guidelines, complementing the ones already disclosed, will be published shortly.

4.3. Relevant aspects for phase II

Iberclear representative urged the entities to meet the deadlines for testing and to devote the necessary resources with the objective of being prepared for the migration to T2S.

On the other hand, it was clarified that references to "ARCO I" and "ARCO II" in the documentation are necessary to distinguish the adjustments of each of the two phases of the reform. Once migrated to T2S, the single system will be named "ARCO".

5. BME Clearing

5.1. Development status of BME Clearing

BME Clearing is finalizing the impact analysis of T2S in relation to equities and will publish the results soon. One of the main issues identified is the timetable. The working group of BME Clearing will meet in the coming days to discuss the matter.

It was announced that the current last resort lending is unfeasible in T2S. As a result, the structure of penalties will change (it will be common for all ISIN).

Regarding BME Clearing for fixed income securities, the developments already implemented for equities are being used and the plan is on track. BME Clearing will start the test for equities first and later for fixed income securities.

It was reminded that the functional documentation was approved at the end of July. Additionally, the importance of the coordination between the equities and fixed income areas of the participants was stressed.

5.2. Support to the participants

BME Clearing will continue with the support and the coordination with the entities by means of the working group and of the Coordination Unit for the Reform (CUR).

6. Banco de España

6.1. Support to the entities

The dates of the following Info Sessions on the migration tests to T2S related to the cash leg, including certification activities and specific weekends for testing, were reported. All information is available in the private area of TARGET2 in the Banco de España website. There is a continuous communication with entities for any doubt through the interlocutors.

The questionnaires to confirm the connection profile of the participants and to know the configuration of the cash accounts were distributed. The coordination for the registration of the legal documentation by the entities has been initiated.

7. Participants: Tour the table

7.1. Planification and development

A majority of participants insisted that it is difficult for them to start the testing in October. Some believe that they could be ready in early 2017. If the date is maintained, they would have to make manual processes and it would not be efficient. They also highlighted the need of having all documentation related to fixed income soon as well. More information about the documentation of other CCPs than BME Clearing was requested. The representative of the CNMV indicated that they will contact those infrastructures to request it.

8. Next NUG meetings

The following dates for 2016 meetings were agreed: 17 October, 24 November and 19 December.

9. Any other business

The CNMV invited to respond to the public consultation of the European Securities Markets Authority (ESMA) on asset segregation and custody services.

The presentations used during the meeting are available on the website of the Banco de España:

http://www.bde.es/webbde/es/sispago/documentacion_trabajo.html

Annex. Participants in the XXIX Meeting of the Spanish National User Group, 8 September 2016

Participants. Group members

Javier Alonso Ruíz-Ojeda
Jesús López Pedruelo
Montserrat Jiménez
Javier Ruíz del Pozo
Bárbara Gullón
Jesús Benito
Laura Puente
Jaime Silió
Mercedes Irigaray
Xavier Aguila
Julio Alcántara
Ignacio Santillán
José Luis Rebollo
Francisco Javier Planelles
Alexis Thompson
Fernando García
Alfonso de Pablos
Inmaculada Andrade Valderrama
Neus Martí Audí
José Luis Calleja
Maribel Cortes de Nava
Lily Corredor
Manuel Pedro Ceverino Curiel
María Belén Muñoz
Carlos Luengo
Francisco Béjar
Thomas Steinman
Norma Clemente
Natalia Eliana Campos García
Rafael González-Aller

Institution

Banco de España
BE/Consejo T2S
Banco de España
CNMV
CNMV
Iberclear
Iberclear
Iberclear
BME Clearing
BME Clearing
AIAF
FOGAIN
CECA
CECA
BBVA
BBVA
Santander
Caixabank
Banco Sabadell
Bankia
Bankia
Ibercaja
Banco Popular
Banco Cooperativo
Banco Cooperativo
BNP Paribas SS
Deutsche Bank
Société Generale
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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