

# TARGET2-SECURITIES

## National User Group

Madrid, 6 February 2014 – (10.30-13.30). Sala Europa

### 1. Introductory remarks

The chairman welcomed the participants of the Spanish National User Group.

### 2. Update on the status of the project.

The chairman debriefed the group on the latest developments in the T2S Project since the last meeting of the NUG.

Regarding the functional aspects of the project, several change requests of non-critical nature were presented to the T2S Board for approval, being almost all without economic or planning impact. In addition, the implementation of a provision check on omnibus accounts before settlement by which they cannot go negative was approved. This solves the deviation that was recently detected between the T2S software and the URD related to the cross-CSD settlement. Additionally, CSDs will have to put in place the necessary checks and balances to make sure that omnibus and mirror accounts stay synchronized at all times. The proposed solution will have no impact on the project plan.

With respect to the financing aspects of the project, the revenue side keeps being a concern since, despite the positive trend of the settlement volumes shown over the past months, these continue to be 20% below the initial estimations (from 2010). The T2S Board is assessing the feasibility of lengthening the cost recovery period (currently 8'75 years), since the increase of prices is only seen as the last resort. The agenda of the next AG includes an item to inquire about other experiences in similar projects from the market.

As to the harmonisation workstream, the process for approval of the CSDR is now on its final stage, and that final voting in the European Parliament is planned in the beginning of April.

The NUG members were also informed, as foreseen in the AG agenda, that TARGET2 pricing will be revised in order to recover the adaptation costs to T2S.

Finally, as far as the Spanish Reform is concerned, it was reminded that the final documentation was published in December 2013, as planned.

### 3. Reporting on the latest activities of the CSD Steering Group (CSG).

The CSG Chairman, Jesús Benito, debriefed the NUG on the two most relevant issues under discussion at the moment.

1. The harmonisation of the moment of entry of a transfer order into the system (SF1) in T2S: the T2S Board transmitted the CSG's final proposal to ECB Committees for its assessment. Such proposal considers that SF1 is granted to instructions after their successful technical validation, independent from where such validation is performed. In the case of Iberclear, Jesús Benito underlines the importance, in terms of the legal soundness for its participants, of the possibility of defining SF1 within Iberclear system.

2. The recent discussions on the functionality for cross-CSD settlement that intends to solve the gap identified between T2S software and the URD: the current T2S design does not foresee the provision check on the omnibus accounts during realignment process which prevents these accounts to go negative, and indeed this could happen in a limited number of cases related to corporate actions. Originally T2S ruled out this scenario by preventing parties to instruct directly on omnibus accounts, but this soundness was compromised with the approval of a change request that opened that possibility. CSG raised to T2S Board their concerns regarding the agreed solution consisting on the implementation of a provision check on omnibus accounts before settlement so that they cannot go negative. According to CSG this solution would not guarantee the legal soundness needed at the level of investor CSD, since “securities inflation” could still occur. In this sense, such proposal should be seen as an interim solution until a permanent automatic solution ensuring the total synchronization at all times of omnibus and mirror accounts is implemented at the T2S level.

#### **4. Developments in the Spanish market in the process of adaptation to T2S and other issues of common interest. Tour-de-table.**

During the tour-de-table, participants had the opportunity to inform about the status of the process of adaptation to T2S of their respective institutions and to share their concerns regarding the Project. Some NUG members clarified that, despite there are still several open issues in the context of the Reform (scope of application of the settlement model for financial intermediaries, transmission of files to PTI and pricing structure), the publication in December 2013 of the final functional documentation allowed them to continue to work in their adaptation, and they regard as feasible to comply with the proposed timeline (although without any buffer).

#### **5. Reporting on the process of adaptation of Iberclear to T2S.**

Iberclear reported about its developments in the progress of adaptation to T2S. In general, internal adaptation is progressing according to plan. The decision on connectivity was made, (the use of SWIFT as VAN provider). Iberclear is working tirelessly to comply with corporate action standards. During the Community Testing phase there will be a coordinated approach for the three platforms which are being developed (the SSS, the CCP and the PTI). The likelihood of a delayed implementation of the first phase of the Reform (October 2015) remains very low. However, it is underlined that the materialization of such risk would impact dramatically the general adaptation plan. Finally, the NUG members were informed that Iberclear may require its participants to report regularly on their progress towards adaptation to T2S using a detailed questionnaire that is currently under design.

#### **6. Reporting on the process of adaptation of Banco de España to T2S.**

The Banco de España (BdE) reported about its developments in the progress of adaptation to T2S. BdE confirmed the feasibility of the adaptation of the IT systems and processes to interoperate with T2S from a functional, technical and time perspective. BdE will participate in the Pilot Testing over the summer.

On the securities side, BdE will operate via Iberclear.

#### **7. 4CB Status Report.**

A representative of the 4CBs reported on the overall status of the project, providing the group with specific information in the areas of Development, Testing and Infrastructure. Development of the software has been completed for the core and non core functions, except for the last change requests. With regard to Testing, 78% of the test cases on core functions and 23% of the test cases on non-core functions have been executed. Eurosystem Acceptance Test (EAT)

will start on April 2014. The ECB connected successfully to T2S in January. Finally, User Testing will commence next October, except for participants of the Pilot Testing.

## **8. Eurosystem collateral policies.**

The NUG was informed about the recent developments on the Eurosystem policies that may impact T2S and their scheduled implementation. In particular, a presentation<sup>1</sup> was given that focused on the removal of the repatriation requirement, the availabilities of tri-party services on a cross-border basis via the CCBM, and the simplification that has been undertaken on the eligibility assessment of new links ahead of their implementation in T2S.

## **9. Harmonisation work stream.**

The NUG was informed about the recent work of different T2S working groups in the context of harmonisation. In particular, a presentation<sup>2</sup> was given focusing on the publication of the fourth T2S harmonisation report, the creation of the Task Force on Market Discipline (TFSD), and the launch of the 2014 T2S CA gap analysis ahead of User Testing. With regard to the TFSD, a NUG member clarified that the rules foreseen in the CSDR will have some impact on our market.

## **10. Update on cash management issues.**

As a follow-up of the workshop on cash management in T2S held in BdE on the 13<sup>th</sup> of November 2013, a presentation<sup>3</sup> was given to NUG members on the update of issues impacted by recent developments in the T2S project such as the approval of CR 429 and other decisions. Binding commitment of those participants connecting to Migration Wave 4 should be expressed by October 2015 (if via A2A) or July 2016 (if only via U2A). Those wishing to participate in previous migration waves should express their interest, in any case, 12 months before the user testing phase of the respective wave if their connection is intended via A2A, or 3 months if U2A.

## **11. Consultation on usage of BIC during User Testing.**

BdE presented the consultation launched by the T2S Programme Office on the usage of the BIC during the User Testing phase. NUG members were invited to provide their opinion by the end of the next week.

## **12. AOB**

The next meeting will take place ahead of the AG meeting which will be held on 17-18 June 2014.

The slide presentations (in Spanish) used during the meeting will be available in the BdE website:

[http://www.bde.es/bde/en/areas/sispago/Sistemas\\_de\\_comp/TARGET2-Securiti/Documentacion\\_de\\_trabajo.html](http://www.bde.es/bde/en/areas/sispago/Sistemas_de_comp/TARGET2-Securiti/Documentacion_de_trabajo.html)

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<sup>1</sup> Cf. [http://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/doc\\_trabajo/ficheros/es/GNU\\_06.02.2014\\_Politicas\\_Colateral.pdf](http://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/doc_trabajo/ficheros/es/GNU_06.02.2014_Politicas_Colateral.pdf)

<sup>2</sup> Cf. [http://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/doc\\_trabajo/ficheros/es/GNU\\_06\\_02\\_2014\\_Harmonisation.pdf](http://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/doc_trabajo/ficheros/es/GNU_06_02_2014_Harmonisation.pdf)

<sup>3</sup> Cf. [http://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/doc\\_trabajo/ficheros/es/GNU\\_06.02.2014\\_Gestion\\_del\\_efectivo.pdf](http://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/doc_trabajo/ficheros/es/GNU_06.02.2014_Gestion_del_efectivo.pdf)

**Annex. Participants in the XXI Meeting of the Spanish National User Group, 6<sup>th</sup> February 2014**

**Group Members**

Jesús López Pedruelo  
Jesús Pérez Bonilla  
Manuel de la Riva  
Montserrat Jiménez de Lago  
Luis Miguel Rodríguez Caramelo  
Bárbara Gullón  
Jesús Benito  
Patricia Rodríguez  
José Luis Rebollo  
Zaneida Voces  
Adolfo García Pérez  
Claudio Sancho Corrales  
María del Carmen Pérez Solé  
María José Teva Vázquez  
Florentino Arias  
Lily Corredor  
Francisco Béjar, en sustitución de Álvaro Camuñas

**Institution**

Banco de España  
Banco de España  
Banco de España  
Banco de España  
T2S Board  
CNMV  
Iberclear  
AEB  
CECA  
CECA  
Santander  
Santander  
CaixaBank  
CaixaBank  
Bankia  
Ibercaja  
BNP Paribas SS

**Observers**

Soledad Núñez Ramos  
Alberto Palacios Elorriaga  
Rafael García Sánchez  
M<sup>a</sup> Ángeles Colombás  
Mayte Arráez  
Fernando Castaño  
Ana Calvache  
Alberto Romera

T2S Board  
Bolsa de Bilbao  
Santander  
Banco de España-4CBs  
Banco de España-4CBs  
Banco de España  
Banco de España  
Banco de España