

# TARGET2-SECURITIES

## National User Group

Madrid, 9<sup>th</sup> of June 2014 (10.00-12.00). Room: Chaflán 1

### 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. The project continues to be on track, in particular as regards the testing activities.

On May 30<sup>th</sup> 2014, the Governing Council decided to extend for an additional period of 6 months the mandate of the T2S Board members, until January 31<sup>st</sup> 2015. The T2S Board mandate will be reviewed in view of the production phase.

In the next AG meeting, the T2S PO will present a proposal on the process that will be followed for renewing the term of the AG members for a further two years. The renewal will be automatic if the parties competent to propose AG members/observers do not take any action.

In relation to the recent developments in the field of harmonisation, the 28 Member States agreed to implement T+2 as standard settlement period in OTC Secondary Markets for transferable government securities, as of October 6<sup>th</sup> 2014. The majority of the European trading venues have confirmed their migration to T+2 also on that date. In this regard, the Spanish fixed-income securities markets, for both private and public debt, also agreed to migrate on this date. A sub-group of the AG has elaborated a document with recommendations on the issue.

With respect to the corporate actions standards, the Harmonisation Steering Group (HSG) has recently reviewed the state of compliance of the T2S markets, and several markets' compliance, including the Spanish market, has deteriorated.

Regarding technical aspects of the project, the ECB commenced the Eurosystem Acceptance Testing (EAT) phase on April 1<sup>st</sup>. The next relevant step will be the start of User Testing in autumn for the markets of CSDs migrating on the first wave.

Finally, as for the functional documentation of T2S, the version 2.0 of the User Handbook (UHB) was published on May 16<sup>th</sup>, and the version 2.0 of the User Detailed Functional Specifications (UDFS) will be published on June 13<sup>th</sup>. The latter can be considered a stable version for User Testing and Migration.

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

The CSG Chairman, Jesús Benito, informed about the most relevant issues under discussion.

1) T2S Corporate Actions Standards: currently, the Spanish market does not comply with two Market Claims (MC) standards (19 and 23). In the context of the Reform, Iberclear participants showed preference for a linkage between the MC and the underlying transaction, in order to prevent that the MC settles before the underlying. The interpretation of these standards in the context of the T2S working groups would invalidate the foreseen mechanism in Iberclear to

meet this market requirement. Iberclear will work with the market towards the objective of meeting the T2S corporate action standards by the time of migration to T2S.

In general, the compliance with the corporate action standards has deteriorated among several markets (eleven markets turned “red”). The conditions established in the T2S Framework Agreement mandate the compliance with these standards, and consequently, the T2S Programme Office will have to assess it and clarify the consequences of the non-compliance.

2) Compliance with Article 37 of the forthcoming CSDR, which requires CSDs to take appropriate reconciliation measures at least once a day to ensure the integrity of the issue. The CSG is concerned about the provision of this functionality by T2S since it is not explicitly mentioned in the functional documentation.

3) Harmonisation of the moment of entry into the system (SF1): the CSG just received the proposal of the T2S Board,. The issue is in the AG agenda for informative purposes, and it will be discussed in the CSG meeting in July.

4) Some topics regarding the Manual of Procedures are under discussion at the moment, including “crisis management”.

#### **4. Current state of adaptations to T2S**

##### **4.1. Spanish market (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. In general, their adaptation projects, now in technical development phase, are in progress.

##### **4.2. Iberclear**

Iberclear informed that its adaptations to T2S are on track, as reported to the CSG. Only one potential risk (“yellow”) was reported, which would only materialize if there is a delay in the implementation of the First Phase of the Spanish Reform (planned for October 2015). Iberclear will offer support as Issuer CSD from the start of the User Testing of the CSDs of the first migration wave (October), although User Testing for Wave 4 will start at a later stage.

##### **4.3. Banco de España**

All aspects related to the adaptation of Banco de España are progressing as projected and without any identified risks. BdE is currently participating in the Pilot Testing. Credit institutions wishing to participate in any CSD of Wave 1 will have to inform by December 2014 about their means of connection to T2S. A rehearsal of the migration weekend will take place for each testing phase of the different waves, following production schedule. Participants will simulate liquidity transfers and provision of client auto-collateralisation data (eligible securities, valuations). They will also carry out conciliation of DCAs in T2S. More information on this can be found in the slide presentation available at Banco de España website.

#### **5. Progress of EAT testing**

The ECB began the EAT on April 1<sup>st</sup>, receiving support from 4CB, and debriefs regularly to the Project Managers Group (PMG) about the state of these activities. The EAT commenced with the most complex test cases in order to detect possible defects of the delivered software at an earlier stage, to enable enough room to fix them. The EAT will be composed of two testing cycles: the first one taking place until the end of June and right after a regression testing cycle will start. The T2S Board will decide then, on September 1<sup>st</sup>, if User Testing can commence in October 2014 as planned.

## **6. Directly Connected Parties Group (DCPG)**

The NUG was informed about the creation of the Directly Connected Parties Group (DCPG) chaired by Marcello Toppa (Citigroup). The deadline for submitting candidates finished on June 6<sup>th</sup>. The mandate of the group is limited to the monitoring of DCP issues. The resolution of those issues will continue to be assessed and decided within the relevant T2S groups. More information on this can be found in the slide presentation available at Banco de España website.

## **7. Technical Matters**

### **7.1. Non-repudiation**

The NUG was debriefed about the “non-repudiation of origin” (NRO) service, which allows proving the participation of the parties of a communication. The current design of T2S does not include the non-repudiation service for U2S communication (GUI screens). Several options have been presented to the CSG in order to mitigate the risk stemming from the lack of NRO service, and they are under assessment. More information on this can be found in the slide presentation available at Banco de España website.

### **7.2. Volumetric assumptions and EoD/SoD**

Some T2S Actors have expressed concerns about the tight schedule foreseen for the processes between end-of-day (EoD) and start-of-day (SoD). With the objective of optimizing the great amount of traffic foreseen for that time slot, some change requests are being discussed at the moment, such as, a delay of the SoD until 20h, a cut-down on the time needed for producing reports, or prioritizing urgent reports. More information on this can be found in the slide presentation available at Banco de España website.

## **8. Harmonisation work stream**

The NUG was informed about the recent work on: the implementation of the CSDR (and related technical standards) and its impact on the Harmonisation Progress Report; the migration to T+2 settlement cycle; and the use of Optional Matching Fields in T2S. More information on this can be found in the slide presentation available at Banco de España website.

## **9. AOB**

The next meeting will take place ahead of the AG meeting on November 26<sup>th</sup> and 27<sup>th</sup> of 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)

**Annex. Participants in the XXII Meeting of the Spanish National User Group, June 9<sup>th</sup> 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  
Félix Redondo  
Mercedes Irigaray  
Pilar Clavería  
José Luis Rebollo  
Zaneida Voces  
Marta de Alba Basterrechea  
Fernando García Rojo  
Amadeo Lázaro  
Claudio Sancho Corrales  
María del Carmen Pérez Solé  
María José Teva Vázquez  
Florentino Arias  
María del Rosario Bejarano Navas  
Lily Corredor  
Francisco Béjar, en sustitución de Álvaro Camuñas  
Thomas Steimann

**Observers**

Soledad Núñez Ramos  
Alberto Palacios Elorriaga  
M<sup>a</sup> Ángeles Colombás  
Mayte Arráez  
Fernando Castaño  
Alberto Romera

**Institution**

Banco de España  
Banco de España  
Banco de España  
Banco de España  
T2S Board  
CNMV  
Iberclear  
Iberclear  
BME Clearing  
AEB  
CECA  
CECA  
BBVA  
BBVA  
Santander  
Santander  
CaixaBank  
CaixaBank  
Bankia  
Bankia  
Ibercaja  
BNP Paribas SS  
Deutsche Bank  
  
T2S Board  
Bolsa de Bilbao  
Banco de España-4CB  
Banco de España-4CB  
Banco de España  
Banco de España