

# TARGET2-SECURITIES

## National User Group

Madrid, 26 February 2013 – (10.30-13.00). 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 recent developments of the T2S Project:

The Governing Council (GC) of the ECB approved in November 2012 a revised version of the User Requirements Document (5.02), as well as the composition of the Migration Waves (June 2015, July 2016 and November 2016). However, after discussions with the CSDs, a new proposal is expected to be presented to the GC in March.

The Advisory Group (AG) held an ad-hoc meeting on the 6<sup>th</sup> of February to deal with the Third Harmonisation Report elaborated by the HSG, with a view to approving it in the next AG meeting (28 February) and publishing it before the Joint ECB-Commission conference on "Post-trade harmonisation and financial integration in Europe" on the 19<sup>th</sup> March.

Furthermore, the AG was debriefed on the latest developments regarding the CSD regulation and in particular the progress made by the European Parliament and the EU Council on the dossier. Although its no adoption is not considered a showstopper for the Project, a considerable delay in the CSDR adoption could have an impact on the legal and harmonisation environment within which the CSDs will operate their cross-border settlement in T2S, in particular issues as the outsourcing, T+2 settlement cycle and settlement discipline are relevant. The AG agreed to stress the importance of the CSDR for T2S and the integration of European post trade markets towards the Irish Presidency and inform the Governing Council about the matter. European post trade associations were invited to stress the importance of the CSDR as well and AG members are encouraged to flag the importance to the relevant authorities in their jurisdictions.

With respect to the TFAX recommendations, the AG agreed on including 4 TFAX items in the work of the HSG; adding 4 TFAX recommendations in the T2S list (and the 3rd Progress report) as T2S best market practices; and raising 11 TFAX recommendations by the HSG to the relevant external actors (e.g. EPTG, COGESI, ESMA). The remaining 7 TFAX items are mere clarifications either on other recommendations or on the T2S functionalities and no further action is required on these recommendations.

### **3. Reporting on the latest activities of the CSD Steering Group and composition of the migration waves.**

The Chairman of the CSG, Jesus Benito, reported about the main discussion items of the CSG:

The Task Force set up by the CSG is progressing in the harmonized definition of the Settlement Finality I, defined as the moment of entry of a transfer order into the system, and by which transfer order is protected against insolvency procedures, in the sense of the Article 3 of the SFD. The note prepared by the TF proposes:

1. For instructions matched in T2S SF I should be defined by all T2S participating CSDs as the moment of completion of the validation process (of the transfer order) in T2S.
2. For instructions matched in the CSD platform the TF could not reach an agreement and is presenting two options to the CSG:
  - Option 1: CSDs could define SF I of the already matched instructions as the moment when the validation process is completed on the T2S platform (in which case, such moment would coincide with SF II).
  - Option 2: CSDs could define SF I at the moment of validation at the CSD legacy platform.

During the meeting an initial assessment of the two options was made, taking into account that Iberclear will offer matching functionality. Owing to the legal nature of the issue, it was deemed necessary to contact the NUG members by means of written procedure to form an opinion of the Spanish NUG on the matter.

The CSG will set up as well a Task Force to deal with some pending aspects of the Framework Agreement.

Regarding the pending change requests, Iberclear highlighted the importance of reaching an agreement on the number of market specific attributes (MSAs) that can be specified per CSD. Five MSAs are considered insufficient by several CSDs, among which is Iberclear.

Finally the NUG was informed about the new proposal for the migration waves, according to which there would be four waves instead of three: June 2015, March 2016, September 2016 and February 2017, with Iberclear migrating in the last one.

More information can be found in the presentation about this issue published in the website of Banco de España <sup>1</sup>.

### **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.

---

<sup>1</sup> [http://www.bde.es/f/webbde/SPA/sispago/doc\\_trabajo/ficheros/NUG\\_26.02.2013\\_InformacionCSG\\_Iberclear.pdf](http://www.bde.es/f/webbde/SPA/sispago/doc_trabajo/ficheros/NUG_26.02.2013_InformacionCSG_Iberclear.pdf)

In general, the participants of the Spanish NUG raised some concerns about the hold-up in the Spanish Reform on the Clearing, Settlement and Registry System. Other issues for concern are the treatment of OTC transactions and the change from T+3 to T+2 (the problem stems from a potentially “early” obligation to settle in T+2 in January 2015, before the Spanish Reform is implemented). CNMV and the Treasury informed that they will transmit this concern to the EU Institutions.

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

Banco de España reported about its developments in the progress of adaptation to T2S from different perspectives.

1. TARGET2: the TARGET2 7.0 release, expected for November 2013, includes already the system adaptations to T2S features (DCA management from ICM, etc.).
2. Cash accounts management: Banco de España will provide those participants that request so with DCAs as of the first migration wave in June 2015. The NUG is reminded that the euro-denominated DCAs will be within the legal perimeter of TARGET2 and that the auto-collateralisation mechanism equals for that matter the intraday credit that Banco de España has been granting its participants, under the same criteria of counterparty and collateral eligibility.
3. Collateral Management System (CMS): Banco de España will provide the necessary Static Data for eligible assets, prices and close links.
4. Participation in Iberclear: Banco de España will maintain securities accounts in Iberclear where collateral involved in financing operations (including auto-collateralisation) will be held. Likewise, Banco de España will continue to manage several services to its clients (Regional Government Debt issuing services and related) and consequently will manage the migration of their business into T2S.

Besides, Banco de España will monitor the adaptation of the NCB participants to T2S and will provide them with functional support during the whole process and, in particular, during the user testing phase. The Spanish NUG was informed about a future Info Session to be held in Banco de España dealing with cash management issues in T2S. They are also reminded about the T2S Info Session in Ljubljana in April dealing with these aspects as well.

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

The NUG was debriefed on the process of adaptation to T2S that Iberclear is undergoing, in line with the information provided to the CSG in its last meeting. Only one risk was detected: a possible delay in the implementation of the lower-rank regulations developing the Law 32/2011 could have an impact on the planning of adaptation to T2S of the Spanish Market.

Problems to meet the Synchronisation Point 3 are not foreseen. Nevertheless, Iberclear is pending on the decision about the remaining change requests to take a step forward in its adaptation plan.

## **7. Liquidity management for the settlement of securities transactions in T2S during the migration period (DCAs and auto-collateralisation).**

The participants of the Spanish NUG were consulted about their interest in an alternative way of being granted intraday credit in their DCAs by Banco de España through means of the auto-collateralisation mechanism during the migration period, and before Iberclear has migrated into T2S. A written procedure to the NUG was deemed necessary. More information can be found in the presentation about this issue published in the website of Banco de España<sup>2</sup>.

## **8. Change Requests to the functional design of T2S (Change Review Group activities).**

The CSG and the T2S Board approved four change requests:

- CR 339-URD. Two additional test environments.
- CR 348-SYS. Allow instructions from CSDs with ISD on/after maturity date.
- CR 356-SYS. Pagination for messages exceeding the maximum volume of 32 MB.
- CR 389-SYS. Reference to identify instructions matched in T2S and identification of origin of CoSD generated blockings.

Pending change requests:

- CR 372 SYS. Issuance accounts in the name of entities other than CSD. Pending on discussion.
- Two other from the Migration Sub-Group are going through detailed (T2S 0385 SYS and T2S 0386 SYS) and will be discussed in the CRG meeting in March.

It is also expected to know the results of the ad-hoc testing activities for the enhancement of the restriction model to accommodate a higher number of MSAs.

## **9. AOB.**

The NUG is informed that the next meeting will take place before the the next AG meeting (18 and 19 June 2013).

Likewise, the participants are reminded about the upcoming T2S events:

- Workshop about Corporate Actions Standards in Frankfurt on the **9<sup>th</sup> of April**.
- Info Session about cash management issues in Ljubljana on the **10<sup>th</sup> of April**.

The slide presentations (in Spanish) used during the meeting will be available in the Banco de España 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)

---

<sup>2</sup> [http://www.bde.es/f/webbde/SPA/sispago/doc\\_trabajo/ficheros/es/NUG\\_26.02.2013\\_Autocolateralizacion\\_periodo\\_migracion.pdf](http://www.bde.es/f/webbde/SPA/sispago/doc_trabajo/ficheros/es/NUG_26.02.2013_Autocolateralizacion_periodo_migracion.pdf)

**Annex I.**

**Participants in the XVIII Meeting of the Spanish National User Group, 26th February 2013**

**Group Members**

Jesús López Pedruelo  
Jesús Pérez Bonilla  
Montserrat Jiménez de Lago  
Manuel de la Riva  
Luis Miguel Rodríguez Caramelo  
Bárbara Gullón  
Antonio del Pino  
Jesús Benito  
Félix Redondo  
Luis Vía  
Pilar Clavería  
Jose Luis Rebollo Palomero  
José Carlos Viñuelas, in substitution of Zaneida Voces  
Adolfo García Pérez  
Marcos Santos Centenera  
Claudio Sancho Corrales  
Fernando García Rojo  
Carlos Vivas Sotillos  
Eduardo Carnero García-Hernández  
Ángel Bayo Puyuelo  
María José Teva Vázquez  
Florentino Arias  
Lily Corredor  
Francisco Béjar, in substitution of Alvaro Camuñas  
Thomas Steimann

**Intitution**

Banco de España  
Banco de España  
Banco de España  
Banco de España  
T2S Board  
CNMV  
DG Tesoro  
Iberclear  
Iberclear  
MEFF  
AEB  
CECA  
CECA  
Santander  
Santander  
Santander  
BBVA  
Banco Popular  
Banco Cooperativo  
CaixaBank  
CaixaBank  
Bankia  
Ibercaja  
BNP Paribas Sec.Serv.  
Deutsche Bank

**Observers**

Soledad Núñez Ramos  
Alberto Palacios Elorriaga  
Rafael García Sánchez  
Fernando Leyún  
Fernando Castaño  
M<sup>a</sup> Ángeles Abendibar

T2S Board  
Bolsa de Bilbao  
Santander  
Banesto  
Banco de España  
Banco de España