

# Minutes of the ad-hoc User Committee conference call on the impact of the Euroclear ESES delay in migrating to T2S 18-11-2015



Attendance in the conference call:

*Chairman:* Bart Baudewyn (BNP Paribas Fortis)

*Members:* Philippe Lepoutre (excused, BDA), Olivier De Bruyn (KBC), Pieter Samyn (ING), Katia Depuydt (Euroclear Bank), Elly van As (Citibank), Jean-Paul Rousseau (absent, Febelfin), Luc Goossens (Belfius), Gil Vanden Broeck, BNP Paribas SS)

*Secretary:* Koen Geenen (NBB-SSS)

*NBB-SSS:* Herwig Smissaert, Marc Lejoly

## Introduction

The ad-hoc conference call was called to discuss the impact that the delay in the T2S migration announced by Euroclear ESES may have on the T2S migration by the NBB-SSS community.

## Background

Euroclear ESES announced on 30/10/2015 that it would not be ready to migrate to T2S in Wave2 in March 2016 as planned. The delay needed would be at least 5 to 6 months.

The way forward is now being discussed by a dedicated Taskforce under the T2S Program Office (TF) and by the Steering Level CSG. A proposal by the T2S Board to the Governing Council should be ready by mid December 2015.

The main hypothesis in the T2S discussions on the re-organisation of the T2S migration is as depicted below with the Euroclear ESES migration in September 2016. An important factor is the need to avoid a "collision" of Euroclear ESES and Clearstream in the various test environments.

 Main working hypothesis which is currently being analysed

March 2016 (Wave 2)	September 2016 (Wave 3)	February 2017 (Wave 4)	September 2017 (Final Wave)
Interbolsa NBB-SSS	Euroclear ESES OeKB CSD	Baltic CSDs Clearstream CDCP Euroclear Finland KDD KELER LUX CSD VP Securities VP Lux	Iberclear



## Impact on NBB-SSS migration

The NBB-SSS Management Committee is in favour of migrating as planned in March 2016 and is collecting the views of the NBB-SSS User Committee.

The User Committee considers the following:

- The Belgian market is specific with 2 CSDs, i.e. NBB-SSS and Euroclear ESES. The optimal way would be that both CSDs migrate together. That was the rationale behind the initial T2S migration plan.
- In principle and provided successful outcome of the ongoing testing, the NBB-SSS market is ready to migrate. However, this readiness statement includes the availability of the Euroclear Connect service which would be provided in the earlier plan in March 2016 but now will not be available at that date.
- Given the Euroclear ESES delay, the following two migration options present:
  - Implement the NBB migration in synchronisation with Euroclear ESES as always intended by the Belgian community; or
  - Stick to the migration date in March 2016 as planned and agreed in the T2S Program Plan. This option means the unavailability of the Euroclear Connect service at migration date. Hence, all participants need to apply one of the other solutions for cash reconciliation: i) receive T2S camt A2A messages as DCP cash, ii) U2A access in T2S GUI, iii) U2A access in TARGET2 ICM VAS, iv) assistance through a Settlement Bank.
- The unavailability of the Euroclear Connect service for cash reconciliation is currently an operational obstacle for some participants, estimated at 5 to 10 participants.
- DCAs start and finish with a zero balance but cash reporting is needed for reconciliation of traffic. The Central Banks already decided earlier that they will not offer a conversion service for T2S cash reporting from ISO20022 into ISO15022.
- It is noted that the "cash forecast" function in the RAMSES GUI will cover all cash impacts from NBB-SSS traffic, hence the full DCA activity –apart from liquidity transfers with RTGS- in case the DCA is used for NBB-SSS traffic only.
- LCH.Clearnet SA agreed bilaterally with the NBB-SSS to share its view in the User Committee: LCH.Clearnet SA will be ready to test the target configuration of March migration and a non-regression for ESES market on their legacy platform (see annex: communication by LCH.Clearnet on 19/11/2015, 1 day after the conference call).
- NBB-SSS planned to have a CSD link with Euroclear France to create a broader base of available ISINs for autocollateralisation. Analysis is now ongoing on a CSD link with Monte Titoli and on an "interim solution" with Banque de France in order to cover the period until the T2S migration by Euroclear France.
- A member challenges the ECB's responsibility in announcing the Euroclear ESES delay on its website so late in the project where all indicators had always been "GREEN" before. The NBB-SSS representatives explain that the ECB role is monitoring and collecting readiness from the T2S Actors, excluding ICPs, but that the T2S Actors remain responsible for their readiness and their reporting of it.

Overview of positions of members on the timing of migration:

- Preference for March 2016: 6 members.
- Preference for September 2016: 1 member.
- Neutral: 2 members.

## Conclusions:

- The principle goal remains to migrate in March 2016 as planned. This view is shared by the majority in the NBB-SSS User Committee but not unanimously.
- A migration in March 2016 means that the Euroclear Connect service will not be available for T2S cash reconciliation purposes at the time of the NBB-SSS migration.
- One member requests to have it noted that:
  - Euroclear ESES announced its delay to the community only on 30 October 2015 and informed about the unavailability of the Euroclear Connect service for T2S cash reconciliation purposes only mid November 2015, i.e. late in the project.
  - A synchronisation of the migration of the NBB-SSS with the delayed Euroclear ESES migration could still be a solution.
- Two members with operational issues on T2S cash reconciliation are requested to debrief to the NBB-SSS on their solutions by Wednesday 25 November 2015 at 12:00 AM at the very latest, as the NBB-SSS is attending a dedicated T2S meeting on that day and must debrief its final position in order to meet the set deadlines towards the Governing Council.
- In the scenario that the Governing Council would assign Euroclear ESES to the contingency "final wave" in September 2017, then the NBB-SSS User Committee supports without further exchanges of views that the NBB-SSS migrates in March 2016.

## Miscellaneous

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The earlier decision to start generating market claims by the NBB-SSS at the T2S Wave2 migration in March 2016 still stands provided i) NBB-SSS migrates in March 2016, and ii) successful testing in the Community test environment.

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## Bulletin

Cash Equities,

19 November 2015

### T2S Wave 2 : Information regarding next migration

Dear Members,

As per Euroclear's and ESES's recent news of a delay to their migration to T2S, we wanted to reassure you that LCH.Clearnet SA has the flexibility to manage any possible migration scenario for Wave 2 :

- For any CSD **not** migrated to T2S as of March 2016, we will keep the same processes currently in place for SIF / BIF files and buy-in.
- For any CSD migrated to T2S platform as of March 2016, we will upgrade our SIF / BIF files to the new format as well as our buy-in procedure.

In case of a delay in the migration of one or more CSDs, we **strongly** recommend that you review your ability to maintain **both processes in parallel**, using where relevant, the current or the new reporting (SIF / BIF).

We will send you a communication later on when we have more visibility of the scope of CSDs declaring to migrate in Wave 2.

Please briefly respond to this email [vincent.desbois@lchclearnet.com](mailto:vincent.desbois@lchclearnet.com) to confirm your receipt of this information

Best regards

LCH.Clearnet SA

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