

Minutes of the 9th User Committee Meeting 05-09-2016



Attendance:

Chairman: Bart Baudewyn (BNP Paribas Fortis)

Members: Philippe Lepoutre (BDA), Olivier De Bruyn (KBC), Pieter Samyn (ING), Pierre Paul Stacanov (Euroclear Bank), Elly van As (Citibank), Luc Goossens (Belfius), Gil Vanden Broeck (BNP Paribas SS)

Secretary: Renan van der Wolf (NBB-SSS)

NBB-SSS: Herwig Smissaert, Marc Lejoly, Jimmy Steenhout

Introduction

- Minutes of the last UC meeting have been approved
- Reminder of the outcome of the written consultation within NBB-SSS User Committee: the SAC will not be published because multiple SACs are linked to the BIC11 and counterparties are not aware of underlying holders.

1. NBB-SSS Facts and figures

- Graphics and figures have been distributed concerning the settlement volumes, the issuance activity and the settlement ratio.
- Apart from the fact that the settlement ratio became lower since the migration to T2S, no specific remark.

2. Service review

- Graphic has been distributed concerning the availability of Ramses and T2S. KPIs of the SLAs are respected.
- Incident "CRITICAL" occurred on the 10/3/2016 :
 - o Report of the incident distributed.
 - o After the test of an alternative Swift configuration in production environment, the normal configuration was not correctly restored. Starting from 12:00, Ramses didn't receive any MX message anymore. MT messages worked fine. After being alerted by the 2 participants that use MX, Swift Helpdesk was contacted, and the MX messages restarted entering Ramses by 15:35.
 - o All messages were treated by 15:50.
 - o This incident has not impacted the availability of Ramses (100% in March) because the incident was at the level of Swift and not Ramses.
 - o Follow-up: more robust SWIFT monitoring and follow-up meeting with SWIFT on 16/3/2016 to address preventing reoccurrence and improved monitoring.
- Incident "LOW" occurred on the 27/6/2016 :
 - o The MT564 have not been created when the calculation date was different from the payment date (weekend). The problem affects corporate actions with payment date on non-business days and Ramses does not send the RMDR notification 5 days in advance.
 - o The MT564 were "manually" sent on the 1/7/2016 with communication to SPOCs and production contacts.
 - o The bug has been fixed on the 31/08/2016.
- T2S Operations Report and T2S Service Review Report

- T2S provides these reports every month to CSDs/NCBs but are "restricted" (not possible to distribute it).
- Availability rate of T2S: 99,78% for April (KPI is 99,70%) ; 100% for May/June/July
- Punctuality rate of T2S:
 - 96,19% for April : caused by delays in EOD reporting (for example on 05/04/16) which have delayed the NTS. However, these "incidents" with delay start NTS are not considered as incidents because dixit the T2S Operator: "There is no incident when NTS finishes on time as that is the only KPI in Framework Agreement".
 - 100% for May/June/July
- T2S Incidents (INC) and problems (PBI) impacting the NBBSSS participants and solved in the T2S Release 1.1.5 (in production on 27/08/2016):
 - PBI160144: T2S reports UNIT instead of FAMT so Ramses forwards UNIT to ICP.
 - INC000000183093: DCPs send an instruction to T2S with Settlement type "UNIT" but the settlement type of the ISIN is "FAMT". This instruction was not rejected by T2S.
 - INC000000182088 and INC000000181946: some instructions are not settling (MONY/LACK) even if there is cash/securities. The bug has been solved and checks (hourly and on request) have been created in T2S to detect these cases.
 - PBI000000159765: when settlement instructions against payment are matched in T2S with cash parties (debtor and/or creditor) populated, and remaining pending for the next day, they are cancelled in the SOD revalidation. For instructions with the same characteristics (APMT, matched in T2S, with cash parties populated in one or both of its legs) that have been correctly accepted in the system, the same problem occurs on the day in which the settlement day is reached. Parties were requested to inform the NBB-SSS and to reinstruct.

3. NBB-SSS production on T2S

- Impact since the migration to T2S (wave 2 – 29/3/2016):
 - Follow-up of the migration in daily UC conference calls during the 1st week
 - Settlement efficiency on average:
 - NBB-SSS: 98,08%
 - T2S: 97,58%
 - Penalties: LACK remaining for months, instructions still on hold on ISD at EOD, CLAI remaining on hold, etc. The LATE instructions are monitored and we request bilaterally to normalize.
 - The participants have no specific idea about what could have caused the change of behaviour after the migration to T2S.
- The users of Ramses are required to take two actions :
 - Upgrade RAMSES tokens:
Client certificates SHA-1 will cease to be supported by end 2016. An upgrade is required towards more secure certificates SHA-256. We will communicate to SPOCs and end users on the procedure: i) SPOCs will be requested to allow/pre-distribute (pull or push) the supporting upgraded ActiveX component (prerequisite, 09/2016), ii) end users will be requested to download the new certificates (timing linked to the validity date of the token) and supported with a user manual.
 - Replacement NPAPI by RAMSES Signature Application:

- NBB-SSS recommends using Google Chrome browser for Ramses GUI but the NPAPI interface is not compatible with Google Chrome v45. Therefore users were not able to upgrade Google Chrome to v45 and beyond. The RAMSES Signature Application replaces NPAPI and does not conflict with upgrading to v.45. The upgrade is planned for Q4/2016.
 - An email detailing these actions will be sent to the users/SPOCs.
- Two written consultations will be sent to the SPOCs:
 - Improvement of the RAMSES GUI: several improvements are currently being developed but are not compatible with Internet Explorer v8. The SPOCs will be requested by e-mail to indicate which browser and version they are using for RAMSES.
 - Collection of Legal Entity Identifiers (LEI):
 - The CSD Regulation (Art 29(4) of the Regulation (EU) No 909/2014) requires CSDs to use the LEI to identify issuers when providing statistics to the authorities. The NBB-SSS team tried to find the LEIs but some are missing.
 - An e-mail giving the LEIs already found will be sent to the SPOCs requesting to provide/confirm their LEI and if they are paying agent, collect the LEI for their active issuers. For new issuers, our issuance form already holds the field "LEI" for which we will be strictly required after publication of the UC minutes.
- Usage of Minimum Settlement Unit and Settlement Unit Multiple:
 - A communication was sent to the paying agents on 01/07/2016.
 - In summary, when the multiple is lower than the minimum in the prospectus, the NBB-SSS will set the multiple at the level of the minimum to avoid problems (for example: position=200, min=100, mult=10, 110 sold => stuck with 90). It is the responsibility of the paying agent to check that the multiple specified in the issuance prospectus is respected.
 - A new e-mail will be sent with detailed explanations.

4. Status T2S migration and releases

- Current planning for T2S production environment:
 - 27/08/2016: Rel 1.1.5 (DONE)
 - 10/09/2016: Wave 3
 - 01/10/2016: potential hotfix after wave 3 – presumably no impact for NBB-SSS
 - 26/11/2016: Rel. 1.2
 - 04/02/2017: Wave 4
 - 11/03/2017: potential hotfix after wave 4 – presumably no impact for NBB-SSS
 - 17/06/2017: Rel.1.3.
 - 16/09/2017: Final wave
 - 30/09/2017: potential hotfix after final wave – presumably no impact for NBB-SSS

NBBSSS intends to communicate the dates to participants as soon as confirmed by T2S Steering level but it is usually done less than 2 weeks in advance officially. In any case, the above dates are highly likely.
- Release 1.1.5: in production on 27/08/2016. One incident occurred for the NBB-SSS, ticket PBI000000159765, *vide supra*: several instructions could not be processed and the participants had to resend the instructions. The meeting requested an incident report but only the problem ticket description from T2S is available:

When Settlement Instructions against payment, matched in T2S where the cash parties (debtor and/or creditor) are populated, remain pending for the next day, they are cancelled in the SOD revalidation because the information sent to settlement about the cash parties is not correct. The problem happens also for future dated instructions correctly accepted in the system of the same characteristics (APMT, matched in T2S, with cash parties populated in in one or both of its legs), the day in which the settlement day is reached.

- Release 1.2: in production on 25/11/2016 and includes 9 Change Requests (CRs) to support the wave 4 :

| CR Number | CR Title |
|-------------------------------|--|
| T2S-0526-URD | Currency, Settlement amount and debit/credit indicator should be additional matching fields for FOP instruction |
| T2S-0533-SYS | Remaining to be settled quantity/amount in sese.027 |
| T2S-0536-URD | De-scope ISIN change functionality – U2A part |
| T2S-0552-SYS | Revoking queued static data updates |
| T2S-0554-SYS | Data scope reduction on party level should also reduce data scope on user level |
| T2S-0555-URD | Internal LT between CB Cash Account and PB DCA |
| T2S-0558-URD | Enhance functionality to prevent acceptance (i.e. reaching SF1) of new settlement instructions based on the T2S dedicated cash account or securities account |
| T2S-0566-SYS* | Settlement Instruction New Screen: Amendments in Layout and Error Handling |
| T2S-0582-SYS* | Enlarging the list of Static Data objects that can be maintained during the night-time settlement |

The CRs T2S-0526-URD, T2S-0533-SYS and T2S-0558-URD are the most interesting ones for the participants of the NBB-SSS and their description has been distributed to the UC.

- Release 1.3: in User Testing on 14/04/2017, in production on 17/06/2017, scoping ongoing and includes the next 4 CRs for consultation :
 - o T2S-0590-SYS: include information from the underlying settlement instruction in the T2S 'Bank to customer statement (camt.053)' message for optimising reconciliation. The members of the UC are strongly in favour.
 - o T2S-0580-URD: offer additional optional autocollat reimbursements windows, A2A or U2A. The members of the UC are strongly in favour (at least one at the end of the morning and one during the afternoon).
 - o T2S-615-SYS: T2S should enrich the field <TxActvty> (Transaction activity) in semt.017 with all the ISO20022 foreseen types of activity:
 - o BOLE: Borrowing and Lending Activity;
 - o CLAI: Market Claim;
 - o COLL: Collateral Activity;
 - o CORP: Corporate Action Activity;
 - o SETT: Settlement and Clearing Activity
 - o T2S should also enrich the field <BkTxCd> (Bank Transaction code) in camt.053 with the values from the above list.
 - o The members of the UC are in favour.
 - o T2S-532-SYS: the Hold/Release indicator set at the account level should not override the indicator defined at the instruction level. The members provide heavy support for this one.
- More info on <http://www.ecb.europa.eu/paym/t2s/governance/tg/html/crg.en.html>

5. Miscellaneous

- Status CSD Regulation
 - o Expected to be signed by end 2016.
 - o If signed by end 2016, comes into force by end 2018 for the measures linked to settlement efficiency (like the penalties), everything else by end 2017.
 - o T2S should compute the penalties, send them to the CSDs who have the possibility to correct them if necessary and do a netting for the end of the month before the debit/credit.
 - o Early settlement: the NBB-SSS volumes are below the T2S expected volumes to be settled during the NTS. Actions should be taken by the participants to improve this indicator because with the CSD-R, early settlement will be promoted but how is still to be defined. A slideshow has been distributed to the members of the UC.
- New developments NBB-SSS
 - o Withholding tax: now linked AFTE the underlying transaction and not WITH.
 - o DvP in non-T2S currencies: requirement from the CSD-R. Positive feedback from the members of the UC.
 - o Penalties: for information, the CSD-R penalties have been computed for several transactions taken at random. The members of the UC feel that such penalties will definitely have an impact.
 - o Autocollateral usage: we are observing a rising trend.
- Penalties and fees
 - o Analysis of the fees/penalties: current conclusion is that it should not be modified. The analysis will be continued in order to define if the fees/penalties should be increased and the results will be communicated during the next UC. The UC members warmly received the postponement of the increase of the fees/penalties.
 - o UC members submitted a demand for "a grace period" for the first settlement cycle after the migration: the NBB-SSS has decided to not grant it for two main reasons :
 - Several migration rehearsals were executed successfully and strongly supported by information to the participants.
 - The NOMC indicator for market claims seems to be the main cause of the problem but the importance of this indicator had been mentioned several times and information given about it.

The NBB-SSS has thus decided that the users had enough information to anticipate such problem and to take the appropriate measures.
 - o Bug in the penalties computation in Ramses (discovered on 14/7/2016): HOLD incorrectly charged and LATE not charged. A patch has been implemented in production and credit notes issued at beginning of August 2016.
- Adaptations of Corporate Action messages
 - o A slideshow has been distributed to the members of the UC.

| Current situation | Future situation |
|---|---|
| :16R:CASHMOVE | :16R:CASHMOVE |
| :98A::PAYD//20160905 ⇒ falls on Monday <i>Is "manipulated" by the NBB-SSS</i> | :98A::PAYD//20160904 ⇒ falls on Sunday |
| :98A::VALU//20160904 ⇒ falls on Sunday | :98A::VALU//20160905 ⇒ falls on Monday |

| | |
|---------------|--|
| | :98A::EARL//20160905 ⇒ actual date account credited on Monday |
| :16S:CASHMOVE | :16S:CASHMOVE |

- A communication will be sent to the SPOCs.
 - This must be tested very cautiously.
 - Planned delivery in production: 19 November 2016 (simultaneously with the SWIFT Standard Release 2016).
- LCH Ltd partialing: in case of LACK LCH Ltd. cancels the instruction and sends a new instruction for the available part. This is a non-T2S approach to manage partial settlement and to avoid penalties. Moreover, this new approach negatively impacts the overall settlement ratio of the NBB-SSS.
- In a LCH user group, the users have stated that LCH is not compliant. LCH agreed to analyse the problem but has not given any timing.
- The NBB-SSS also communicated that LCH Ltd does not send already matched instructions and it has been mentioned that they should use already matched.

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