

## Minutes of the 14<sup>th</sup> User Committee Meeting 04-03-2019



*Chairman:* Olivier De Bruyn (KBC)

*Members:* Joannes Gillis (replacing Dominique Dalle, BDA), Nicolas Peckel (Euroclear Bank), Sandrine Scheuer (replacing Antoine Denayer, BNPParibasSS), Sofie Janssen (BNY Mellon), Luc Verhelst (BNP Paribas Fortis), Erik Wuyts (Belfius), Elly Van As (CITI), Pieter Samyn (ING Belgium), Jean-Paul Rousseau (Febelfin)

*Secretary:* Koen Geenen

*NBB-SSS:* Marc Lejoly, Jimmy Steenhout

**Date:** Monday 3 September 2018 from 10:00 – 12:30 CET, followed by a seated lunch

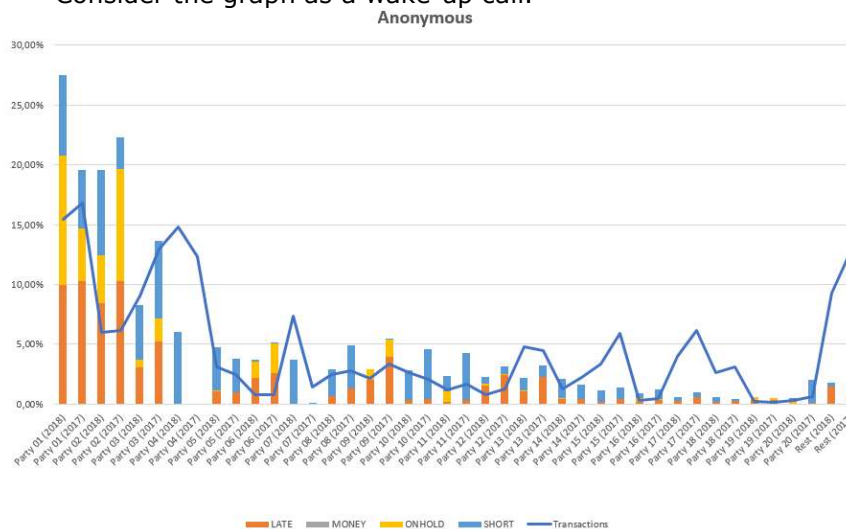
**Venue:** Room 10, 5<sup>th</sup> floor, de Berlaimontlaan 14, Brussels

### Introduction

- Remaining Follow-ups from UC meeting 03-09-2018
  - Simulation for the CSD-R penalties was done on a random month and showed that amounts of CSDR penalties are approx. 25% of NBB-SSS administrative fines.
  - AFME Due Diligence Questionnaire: the questionnaire is being finalised and currently verified by NBB Legal. Publication expected by April 2019.
  - E-invoices: alternative solution using Sharepoint. NBB-SSS is awaiting deployment of version Sharepoint365 by NBB. The E-invoice service will be in place at earliest by end 2019. It needs to be investigated from a legal point of view whether a paper copy via postal mail would still need to be sent.
- Approval of the agenda of UC meeting 04-03-2019.

### 1. NBB-SSS Facts and figures

- Issuance activity
- Settlement volumes
  - Higher number of INX, mainly due to activity shift from Participant Clearstream Luxemburg to Clearstream Frankfurt and from LCH.Clearnet London to LCH.Clearnet Paris.
- Settlement efficiency ratio
  - Print-outs of graph with 20 Participants with lowest SE (anonymized) with recipient SE shown.
    - Consider the graph as a wake-up call.



- Low overall NBB-SSS SE is mainly due to only 4 Participants.
  - NBB Board requests to Participants to escalate the issue of low SE internally and down the chain to clients.
  - Participants await “release approval” for instructions “on Hold” from clients which often are communicated “LATE”. Late instructions in a T+2 environment should be unacceptable.
  - NBB-SSS will investigate whether the graph can be distributed per SAC instead of per Participant to allow Participants to take action towards SAC holder.
  - Some members state that SE is more a matter of “educating clients” than of charging administrative fines. Other members report that efforts are made continuously but clients prefer paying the fines over mitigating processes which would bear higher costs.
  - T2S is continuously adding features with the aim of improving SE, e.g. [T2S CR-653 Partial release](#), [T2S CR-691 Removing mached INX after 60 days](#), [T2S CR-694 additional partial windows](#).
  - The BDA mentions that a low settlement efficiency will hamper the liquidity and transparency of its secondary market. If NBB SSS is authorized to provide the BDA SE figures per PD it will be taken into consideration to integrate these figures in the semi-annual assessment of Primary Dealers.
- **Decisions:**
  - **UC requests the NBB-SSS to provide yearly SE figures of Primary dealers to BDA, if technically feasible, as from the 2018 figures.**
  - **UC requests to investigate the possibility of raising the administrative fine for “LATE”. Precondition for such increase is i) approval by NBB Board, and subsequently ii) inclusion in the NBB-SSS T&C version 1/1/2020.**
  - **UC members commit to escalating the low SE issue internally and externally, if feasible.**
  - **It has not yet been decided whether the “name&shame principle” would be applied but it remains a valid possibility in the future.**

## **2. Service review**

---

### – Availability and incidents

The availability of T2S and RAMSES has been generally positive since the last UC, except for T2S in November 2018.

T2S encountered four incidents that lasted longer than 30 minutes:

- 13/9/2018: 90 minutes (outage before 12:00 CET)
  - An issue on the MQ-channels responsible for message transport in T2S. The only possible measure to restore the services was identified in a restart of the impacted partition.
- 2/10/2018: 35 minutes – NTS delay to 20:35 CET
  - An unavailability of DB2 occurred and impacted A2A message processing. Some messages were routed into internal middleware queues and not processed further. This blocked the processing of the event BATM (Intraday BATM cut-off) but no lost messages were detected. Nevertheless, 64 messages were parked in a specific queue that remained undetected. These messages/files were detected the day after

- and the impacted CSD were contacted on a bilateral basis to agree on the correct follow-up actions.
- 17/10/2018: 85 minutes – delay NTS to 21:25 CET
    - The RREC (Regular recycling) event scheduled at 13:55 was not triggered. The T2S Operator skipped the event as well as the following partial settlement window. The only way to solve the issue was a full restart of one Mainframe partition that was completed at 17:32. End of day reporting started at 19:14. To respect the usual duration of the EoD and SoD phases the start of the new business day beginning was set at 20:10 and the start of NTS at 21:25.
  - 26/11/2018: U2A connectivity 95 minutes - Settlement and Liquidity Management Services 332 minutes: most severe incident ever in T2S
    - During the NTS phase of business day 27/11/2018 in event C2S4 a job inside SETT module abended. The investigation of the underlying reason of the blockage was time consuming. It turned out that one SETT job managing the GROSS SETT Algorithm, in place since T2S Go-live, was blocked. Further analysis showed that such a technical issue occurs in a particular context when the decrease of the Unsecured limit linked to a Client CMB leads to a negative headroom. Due to the LLI there was a counter mismatch between SETT and LCMM modules that was solved at 03:41 but investigations revealed that there were inconsistencies in the databases. All needed actions to finalize the affected instructions and the alignment of the databases were finished at 19:20 and the End of day reporting could start at 19:32. The change of business day took place at 20:21 and C1P0 started at 21:44. From 27/11/2018 the T2S Service desk, together with the last level support teams, supported CSDs in recovering from the fact that T2S did not send out several hundred message settlement notifications. NBB-SSS Participants did not report big impacts.

### **3. Status T2S and RAMSES releases**

---

- T2S Rel.3.0 (Preprod 22/3/19, production environment 7/6/19).
  - [T2S Release 3.0](#) content: 11 CR + bug fixing
    - CR-612: In order to align the messages used in T2S with the latest ISO version available, the implementation of ISO Maintenance Releases 2013 - 2017 is required. Currently, the T2S messages are based on ISO Maintenance Release 2011/2012.
    - CR-600: timestamps for insolvency scenario. NBBSSS T&C: "NBBSSS can accept or reject INX in insolvency regardless matched or not", so timestamp less important for NBBSSS
    - CR-607: CSDR imposes CSDs to keep record of settlement instructions related to buy-ins. The usage of the ISO transaction type code 'BIYI' (BuyIn) is being introduced in T2S as transaction type code <SctiesTxTp.
    - CR-646: Preformatted operational reports for CSDs and NCBs.
    - CR-520: Replicating of the linkage INFO sequence, if present in sese.023, to sese.024 and sese.025. Should fill the Market Infrastructure reference (MITI) of the underlying instruction in the linkage sequence (/SctiesStlTxInstr/Lnkgs/Ref using reason code INFO) in the settlement instructions (sese.023) generated for market claims and transformations by CSDs and CCPs. Addition in sese.020 of i) reason code for cancelation due to transformation and ii) Corporate Action Event Identifier.
    - CR-587: Alignment of ISO transaction codes. Certain ISO transaction codes of the sese.023 are not included in the allegement-related messages . When an unmatched Settlement Instruction is sent with one

- of the transaction codes eg. ISSU, MKUP, MKDW, the corresponding allegement `sese.028` message (Securities Settlement Transaction Allegement Notification) is not sent to the counterparty. As a result, the Settlement Instruction may remain pending and unmatched without the counterparty being fully informed.
- CR-652: message subscription parameter from 50 to 100. Useful for T2S Actors (CSDs, NCBs, DCPs) to create rules to configure their message subscriptions.
  - CR-670: Logical deletion of matures ISINs and their related links.
  - CR-542: Enrich camt.054 with SAC owner Parent BIC and SAC owner Party BIC. Hence, the the Payment Bank will be able to identify the CSD Participant for whom the settlement was performed much easier.
  - CR-590: Add ISIN, CA event ID and Type, SAC and settled quantity in camt.053 and camt.054. This is a CR initiated by NBB-SSS in 2016.
  - CR-543: Minimum amount of autocollateralisation. This will avoid a high number of autocollateral instructions (even of 1 eurocent) and reduce costs for Payment Banks. Payment Banks can set individual minimum amounts.
- RAMSES Release
    - The RAMSES release will align RAMSES with T2S Release 3.0. + additional features
    - NBB-SSS will issue the Release note with the expected impact on NBB-SSS Participants as always one week prior to deployment in Preprod.
- Settlement efficiency: *vide supra sub 1*
  - DKK in T2S :
    - DKK in T2S since 29/10/2018.
    - NBB-SSS consulted with the Danish Central Bank. Currently, almost no CSDs are opening DCA and RTGS at KRONOS2.
    - NBB-SSS consulted the Paying Agents. There is no interest in issuing in DKK.
    - Conclusion:
      - Paying Agents must inform NBB-SSS two months prior to issuing in DKK to allow NBB-SSS timely opening RTGS and DCA at KRONOS2.
  - DVP Foreign currencies.
    - Status : implementation by 1/1/2020
    - An amended version of the Royal Decree on the Foreign Currencies issued in the NBB has been recently reviewed by the Conseil d'Etat/Raad van State. Responses to the comments are being provided.
      - The update targets the removal of the “frozen day” on record date when the NBB-SSS provides the financial service of a security in a foreign currency (in collaboration with the Paying Agent of the security).
      - The refreshed RD shall enable a gradual deployment of the functionality.

#### **4. Debrief compliance 2018**

---

- See meeting documents:
  - IT Self-certification
  - SWIFT KYC-SA
  - BCP E2E testing
- AML: NBB-SSS is addressing AML compliance to be compliant with the new Belgian Law. Compliance is needed at two levels, i.e. NBB-SSS internal own policy and

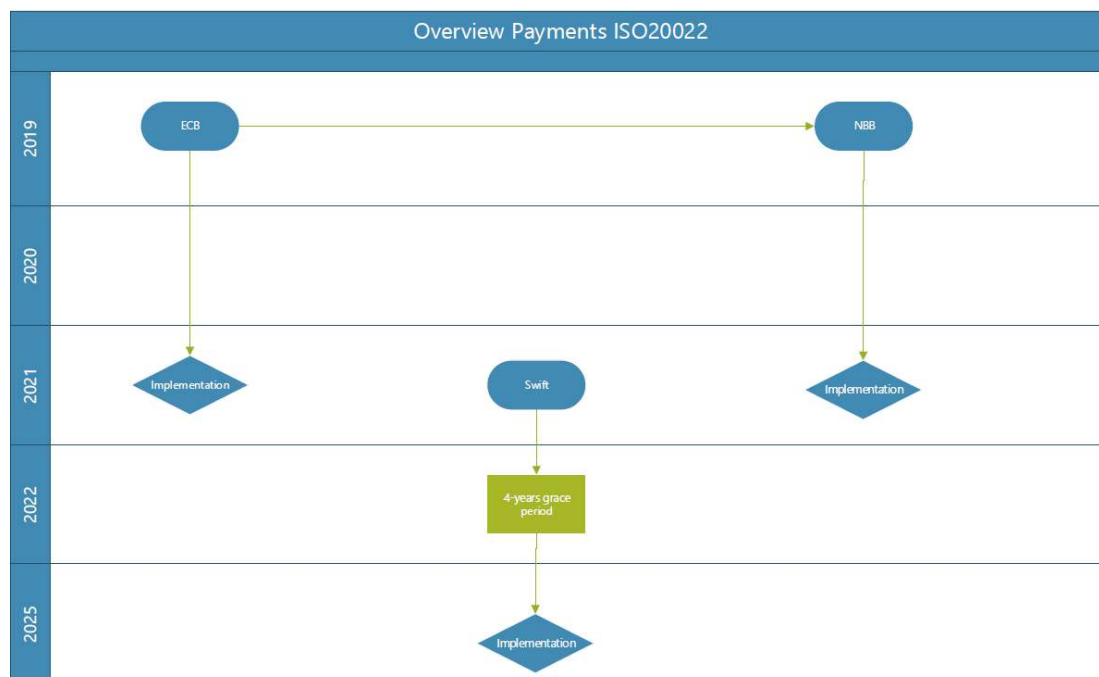
NBB-SSS relation with Participants. For the latter, Participants will be requested to fill out an AML questionnaire in Q4/2019.

## 5. Migration ISO20022

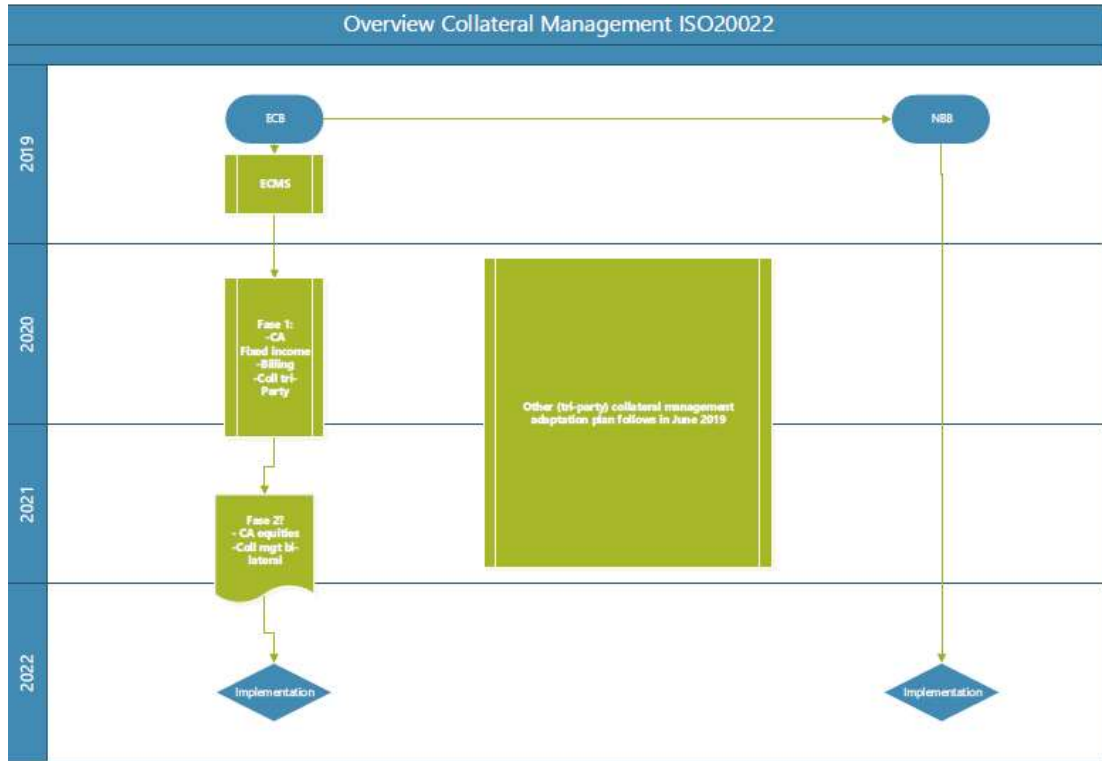
- NBB announcement on mandatory migration by November 2021
- NBB users feedback

For setting the landscape for the discussion, the Chairman presents a comparison between ECB, SWIFT and NBB-SSS for migrating towards ISO20022 in the three domains Payments, Collateral management and Securities: note that the years should be read as November 20YY.

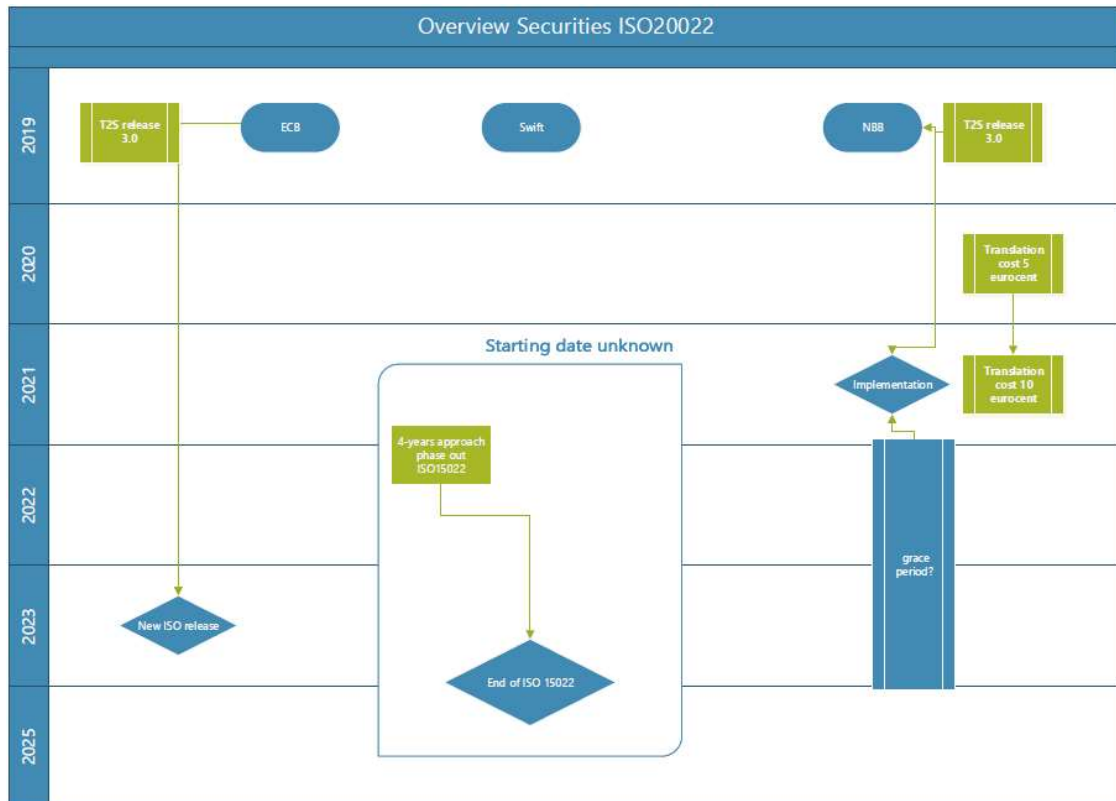
### 1. Payments



## 2. Collateral management



## 3. Securities



Outcome of « tour de table » :

- UC members support principle migration to ISO20022. NBB-SSS clarifies that the migration covers the full business scope, i.e. trades, CA, reporting.
- DCPs are mostly comfortable with the set timings as they already communicate with T2S in ISO20022.
- Most ICPs express concerns on timing, particularly as already many projects are planned for 2020 for regulatory compliance and on the operational risk of a simultaneous migration with T2, hence there is a need for a grace period. Members challenge the fast move by NBB-SSS as NBB-SSS is the first CSD in communicating a deadline.
- Members urge for a longer grace period, e.g. two years. Members challenge the costs of the translation service by NBB-SSS starting from November 2020.
  - o NBB-SSS explains that the timing is aligned with the TARGET2-BE deadline as both communities overlap and ISO15022 (MT) should phase out in line with availability of staff with ISO15022 (MT) knowledge. UC members reply that, for major banks, payments and securities are two distinctive back-offices with own processes and project budgeting.
  - o NBB-SSS explains that translation costs are needed to promote ISO20022 as well as for covering resources in ISO15022 (MT), e.g. for testing, for a longer period while T2S is solely ISO20022 based.

#### Conclusion:

- **NBB-SSS takes note of the concerns raised by the UC members and will reflect internally on defining an appropriate grace period beyond the migration deadline November 2021.**
- **The NBB-SSS will hold the second Info session on Migration 20022 on 9 April 2019. This date was set after the UC meeting.**

## 6. Miscellaneous

---

- Brexit
  - o The Settlement Finality Directive 98/26/EC is not applicable in the United Kingdom (UK) after Brexit. For that reason, T2S and the NBB-SSS must exclude UK Participants and UK Issuers.
  - o Currently, NBB-SSS has only 2 UK Participants and 1 UK Issuer.
  - o NBB-SSS position:
    - In case of "No deal":
      - UK Participants must be "blocked" and "removed" on Brexit date
      - UK Issuers cannot issue after Brexit date. Active ISINs will remain in NBB-SSS until their maturity date.
    - In case of "Deal with transition period"
      - UK Participants can remain Participant until the end of the transition period.
      - UK Issuers can continue new issuances provided that the ISIN maturity date does not extend beyond the end of the transition period.
- CR: Removal of matched instructions after 60 business days

A written consultation will be held with the UC members on three changes proposed by T2S:

- a. [T2S CR-691](#) : Aiming at improving settlement efficiency, T2S CR-691 proposes to remove matched instructions at 60 days after Intended Settlement Date.
- b. [T2S CR-694](#) : Aiming at improving settlement efficiency, T2S CR-694 proposes the inclusion of two additional partial settlement window at 00:00 – 00:30 CET

and 06:00 – 06:30 CET, and the extension of two current partial settlement window of 08:00 – 08:30 CET and 15:30 - 16:00 CET.

- c. T2/T2S Consolidation: The T2/T2S Consolidation is planned for November 2021. Both TARGET services will operate on the same technical platform. For optimal management of both TARGET services, the maintenance windows for both shall be aligned. Currently, the T2S MWI is set at 03:00 – 05:00 CET, the TARGET2 MWI is set at 22:00 – 01:00 CET. The banks with status “Observer” in the TARGET2 Governance opposed to aligning TARGET2 MWI with the current T2S MWI and proposed a new MWI for both TARGET services at 00:30 - 02:30 CET.

- The next meeting of the UC will take place on Monday 2 September 2019.

