Summary

Teleconference of the Change Review Group (CRG)

11 August 2016, from 14:00 to 15:30

held at the European Central Bank, Frankfurt am Main

1. Introductory session

The Chairperson, Karen Birkel, welcomed the participants. The Chairperson informed that the aim of the teleconference was to discuss the UT-PBR-75 (Settlement Instruction settling at DVP cut-off absent from statement of transactions).

2. Input requested by the User Testing Sub-group

UT-PBR-75 (Settlement Instruction settling at DVP cut-off absent from statement of transactions - INC 179344)

During user testing activities, a statement of transactions report (semt.017) which was configured for the DVP[1] cut-off event (IDVP) did not contain all DVP instructions which were settled by T2S during the business day. The report did not include the DVP instructions that were received before the DVP cut-off time and settled shortly after the DVP cut-off time.

The user expected to receive in the statement of transactions report, configured for the IDVP event, all DVP instructions which had settled during that business day.

The 4CB presented the clarification note and conveyed their view that T2S works according to the specifications. They referred to the UDFS where it is stated that T2S will attempt settlement at least once for all instructions received by the intraday DVP cut-off time. This might lead to the situation where an instruction is received and accepted by T2S shortly before the cut-off, but the actual settlement only takes place after the cut-off, due to the required processing time. Such instructions would contain a settlement timestamp later than the cut-off time (e.g. 16:01). The 4CB also

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[1] Delivery-versus-payment

mentioned that in the current implementation of T2S, all event-based triggers relate to the start-of-event cut-off time and that there is no such concept as end-of-event time. Thus, reports in T2S which are configured for intraday event-based cut-offs, would only report instances (e.g. instructions) with execution timestamps prior or equal to the respective cut-off time. For event based reports configured for the IDVP event, this means that they only report instances settled prior to the start of IDVP, i.e. prior or equal to 16:00. Therefore DVP instructions with a settlement timestamp just after the cut-off, e.g. 16:01, would not be included in the report.

In addition, it was explained that for other (non-intraday) cut-offs (after night-time settlement cycles or after end of day) there are events defined in T2S specifically for report configuration. These events will be triggered only after the related settlement window in T2S is actually closed and all eligible instructions were successfully attempted for settlement. Even though these events also comply with the "start-of-event" principle, reports subscribed on these non-intraday reporting events will contain all transactions settled in the related settlement window, independent from the settlement timestamp of the transactions. For the IDVP cut-off, such an additional reporting event does not exist.

Finally, the 4CB highlighted that the UDFS clearly indicates that a cut-off only relates to the receipt of new instructions, not to their processing.[2]

The 4CB presented two possible solutions in order to get the reporting of all DVP instructions settled during the business day:

1. Usage of the next event in T2S, which is the BATM cut-off usually scheduled at 17:40. Reports configured for this event would certainly include all DVP instructions which have settled on that day.[3]

   Such a workaround would be feasible already today, without any need for a software change.

2. Introduction of a new end-of-intraday-cut-off event in T2S which would be used for setting up the report configuration, similar to the reporting events which already exist for non-intraday-cut-offs. Reports triggered based on such a new event would certainly include all DVP instructions settled on that business day. According to the 4CB proposal, such a new event would have to be included in the daily T2S schedule, which would be a change in the software and would thus require a Change Request.

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[2] In UDFS v2.2, chapter 1.4.4.4.7, page 259 it is stated:
    Execute DVP cut-off procedure
    l T2S does not attempt settlement for the intraday DVP/PFOD Settlement Instructions (…) received by T2S after this cut-off on the current settlement day, but recycle them for the next settlement day;
    l T2S ensures to do at least one settlement attempt for all the intraday DVP Settlement Instructions, received by T2S before the cut-off and eligible for the current settlement day.

[3] Ex-post clarification by the 4CB: CSDs using flat files could retrieve potential instructions settled after 16:00 within their delta flat files at the end of the day (and, of course) in the full flat files at the end of the night time settlement.

CRG representatives of several CSDs disagreed with the view presented by the 4CB. They mentioned that from a business perspective a cut-off event is a single point in time and that a report triggered based on the DVP cut-off event should contain all DVP instructions settled during the DVP window of that business day. CSDs also referred to the UDFS to support their argumentation.[4]

Accordingly, in the view of the CSDs, T2S does not work as specified, as the report does not contain all DVP instructions settled in T2S for a particular settlement day. CSDs acknowledged that from a technical perspective an event might relate to a time span, due to processing time. But it would be in the responsibility of the 4CB to design the system in such a way that event based reports include also instances executed during the (technical) time span of the event, e.g. include also instructions settled during the IDVP processing. CSD representatives were of the view that the issue should be treated as a defect, to be fixed by 4CB. A change to the UDFS would not be required in their view.

As 4CB did not agree on this view; the question whether the issue should be seen as a defect or not could not be solved during the CRG discussion. It was highlighted that the 4CB and CSDs have a different reading of the scope defining documents, in particular of the UDFS. A decision on a higher level might be required.

In a next step, the CRG discussed the solutions proposed by the 4CB from the business/functional point of view. It was mentioned that the workaround to use the BATM cut-off event instead of the IDVP cut-off event would not be acceptable, at least for some of the CRG members. A CRG member asked whether settlement instructions which settle after the IDVP cut-off would be contained in a delta report which is subscribed at the next intraday cut-off (BATM); this was confirmed by the 4CB. Following this clarification, another workaround was proposed: to subscribe to full reporting at the IDVP cut-off and delta reporting at the BATM cut-off. However some CRG members were of the opinion that it would also not be workable, as it presupposes that functionality for delta reporting is implemented on the T2S Actor side.

In general the CRG agreed with the suggestion made by the 4CB to introduce a new end-of-IDVP event for the purpose of reporting from the functional point of view. The 4CB expressed their view that such a new event would have to be included in the daily T2S schedule, which would also mean that participants would have to adapt their existing report configurations if they would like to receive the reports based on the new end-of-IDVP event. If participants would keep existing configurations which currently mention IDVP as event-based trigger, they would continue to receive the report at 16:00, excluding DVP instructions with a later settlement timestamp.[5]

CRG members disagreed for the need of adding another cut-off event explicitly in the schedule; they requested to treat the new event as a technical event only. From their business perspective, there would be no need to have two events for the same cut-off in the schedule. CSDs preferred to keep

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[4] UDFS v2.2, chapter 3.3.7.6 SecuritiesTransactionPostingReportV03:
The Statement of Transactions […] is used to give information about the transactions of the respective CSD or other directly connected T2S party, settled in T2S for a particular settlement day.
[5] Ex-post description by ECB: Existing report configuration rules would have to be closed by setting a Valid To date and new rules would have to be created which mention the new end-of-IDVP event, using a Valid From date which is after the Valid To date of the previously closed configuration rules.

existing report configuration, with the difference that for reporting, IDVP should (technically) relate to the end-of-IDVP and not to the start-of-IDVP as today. CSDs also mentioned that they would not see any problem if a report configured at IDVP would contain instructions with a settlement timestamp later than the cut-off time (this cut-off time relates to the start-of-IDVP and can be queried in the T2S GUI).

To conclude on this part of the discussion, the question whether a new end-of-IDVP event should be introduced as an explicit/public event or as technical concept only, including the consequences this would have on the existing report configuration, could not be solved during the teleconference.

Next, it was mentioned that the issue of reports triggered based on cut-off events would not only exist for IDVP, but for other cut-offs, too. The FOP cut-off (IFOP, 18:00) and BATM cut-off (17:40) were mentioned as examples. CSDs agreed that whatever solution would finally be implemented, the same principle should be used across all cut-off events which can be used for report configuration. Also, the solution should be applied to all reports, even for example to static data related reports which would not depend on the processing time of instructions.

In the last part of the discussion, the urgency of this topic was raised. CSDs requested to align internally and potentially with their customers before they would be able to provide an answer. CRG members agreed to have a written procedure until 26 August to inform if one of the workarounds including the BATM cut-off (full report at the BATM event, or full report at IDVP and additionally delta report at BATM, both as described above) would be feasible as a short term solution. If not, the urgency of a software change should be indicated. At the current juncture, the CRG did not see the need to send the issue to DCPG for discussion. If required, CRG members would contact their customers directly to gather their opinion.

The 4CB indicated that they will analyse the complexity and implementation effort of the two solutions discussed (new end-of-IDVP event as explicit event vs end-of-IDVP as technical concept only) by 26 August as well.

A UTSG member from Euroclear who attended the call mentioned that he preferred for UTSG to receive a final feedback from the CRG, which would also include the outcome of the written procedure. An interim feedback would not be required.

CRG decision: The CRG did not conclude on the way forward and agreed to re-discuss the topic during the CRG meeting on 6 September 2016.

Action points:

- The CRG will indicate, if

    o the following workarounds could be considered as an interim solution until another solution is in place

(i) Configuration of the statement of transactions report (semt.017) at the next event in T2S after the intraday DVP cut-off (IDVP at 16:00), which is the intraday BATM cut-off (BATM at 17:40). Reports configured at BATM would include all instructions which have settled on that day

(ii) Configuration of complete version of the statement of transactions report (semt.017) at IDVP event and in addition, configuration of a delta version of the statement of transactions report at BATM event to cover for potential instructions settled after 16:00

- o   if they have identified any other workaround which could be used

- o   the urgency of implementing a new solution (i.e. requirement of having a statement of transactions including all the settled instructions for a business day at DVP cut-off).

- The 4CB will analyse by end of August 2016 the complexity and implementation effort of the two solutions i.e. new event 'end-of-IDVP' as explicit event vs end-of-IDVP as technical concept

3. Any other business

Change Request T2S-0493-SYS (Default top priority setup)

The Chairperson informed that the OMG indicated that the manual procedure they have defined works well and is sufficient and therefore, the Change Request T2S-0493-SYS is not required anymore from the OMG's point of view. The CR initiator also agreed to withdraw the Change Request.

The ECB confirmed that a query is available on Attribute Domain Reference – Details screen in the T2S GUI, where CSDs can view the BIC's set up for TOP priority.

Revised detailed assessment on Change Requests

The CRG was informed that the revised detailed assessment on the Change Request T2S-0564-SYS (T2S should also validate the counterparty's securities account in an unmatched settlement instruction) and the Change Request T2S-0560-SYS (T2S query/reporting functionality must be enhanced to allow the retrieval of the settlement instructions impacted by insolvency and their related SF1 (accepted) /SF2 (matched) timestamps in an efficient and standard way) would be available on 15 August 2016. The revised assessments will be shared with the CRG for feedback.

Presentation on the backlog of Change Request

The Chairperson informed that a presentation on the backlog of Change Requests on hold for future releases will be shared with the CRG before the CRG meeting on 6 September 2016. The list of Change Requests that will be proposed by the 4CB for preliminary assessment between 26 September and 14 October 2016 (i.e. batch 1) will be presented during the September meeting.

The CRG chairperson mentioned that there are a number of Change Requests which may be relevant for DCPs but for which no DCPG opinion was asked yet. It may be valuable additional information for the CRG during the discussion on prioritisation of CRs. The proposal of the CRG chairperson was that the ECB will prepare a list of Change Requests which could be relevant for the DCPG; these could then be sent to the DCPG for their input after the next CRG meeting.

Action point: The ECB will share with the CRG the list of Change Requests which are relevant for the DCPG.

CRG teleconference on 13 September 2016

The CRG was informed about the CRG teleconference scheduled on 13 September 2016, to discuss the detailed assessment on the following Change Requests in principle:

- T2S-0624-SYS (Remove possibility to amend CoSD Rule and CoSD Rule Set by setting the closing date to past business date)

- T2S-0625-SYS (CoSD Rule - New/Edit Screen - Discrepancy within UHB and between UHB and GUI)

- T2S-0626-SYS (Allow NCBs to obtain complete view of DCAs in the Cash acc. Bal U2A query)

- T2S-0627-SYS (Managing overlapping of Restriction Types for Security Accounts)