29 December 2017

SUMMARY OF THE
22ND MEETING OF THE DCP GROUP

On Wednesday, 29 November 2017, 15:15-17:30
Held at Hilton Tallinn Park Hotel, Fr. R. Kreutzwaldi 23, 10147 Tallinn, Estonia

1. Welcome by the Chairperson

The Chairperson Marcello Topa welcomed the participants to the 22nd T2S DCP Group meeting. The chairperson introduced the agenda of the meeting which was approved without adding any additional ad-hoc items.

2. Review and update of recent issues

The Chairperson presented the Summary document of the 21th DCPG meeting and invited the DCPG members to approve it. The Summary document was approved without any objection.

2.1 Directly Connected participants consolidated list

The Chairperson informed the members of the DCPG that the DCP's consolidated list of DCP declarations was updated including DCPs and DCA Holders for both VP Securities and for the Danish National Bank. The total number of DCPs in the DCP's consolidated list is 166.

2.2 DCPG Mandate

The Chairperson informed the DCPG members that the CSG requested some amendments to the DCPG Mandate, before it could be approved. The CSG asked to remove/change the first sentence in section 2-Mandate (remove the phrase "The DCPG serves as the focal point for specific communications between the DCP community and the CSDs/NCBs and the T2S Operator about the services, functions and developments in T2S."). A minor change (replace "the DCPG is the conduit for specific exchange" with "the DCPG is a conduit for specific exchange") was also requested in the last sentence of the same paragraph.

Discussions followed concerning the first sentence to be amended, which refers to the communication between the DCP community and the CSDs/NCBs. The discussion brought about several comments from the DCPs members:

- A CBF representative, Ms Amend, explained that it is clear that a DCP may contact the T2S Operator only for connectivity issues). She further indicated that there is a governance structure in place which should be followed. The DCPs mentioned that there could be room for further direct communication with the T2S Operator, for which the representative of ESES, Mr Pattyn understood the need to have further discussion between DCPs and CSDs on: i) general communication issues, ii) incident management, iii) release management, iv) message structure changes and v) deployments topics. He further suggested that if necessary the DCPG could escalate specific issues to the CSG.

- The representative of DB, Ms Britta Woernle, suggested to request the CSDs/NCBs to allow the presence of the DCPs in the OMG when the above mentioned topics are discussed. Mr Pattyn replied that the issue should be discussed between DCPs and CSDs, however, he did not find it necessary to include this or other specific topics in the DCPG Mandate.

Follow-up:

- *The draft Mandate will be amended and sent to the DCPG for their review and comments.*
- *The DCPG will request the OMG and CSG to accept DCPs to remain in attendance while incidents are reported in the OMG meetings.*
- *Confirmation on the modes of interaction between CSDs and DCPs on:*
  - i) *general communication issues,*
  - ii) *incident management,*
  - iii) *release management,*
  - iv) *message structure changes*
  - v) *Deployments topics.*

3. Debriefing from T2S Technical groups, CSDs and National Central Banks

The DCPG members took note of the information provided in this section, originating from other T2S groups, CBs and CSDs activities on items that are also relevant for the DCPs.

3.1 CRG update

The CRG representative, Mr Leveque (ECB CRG) debriefed the DCPG members on the status of the CRG activities with a particular focus on CRs that were most relevant to DCPs. He further informed that there were ongoing discussions on the role of the CRG in reviewing the costs of change requests. The Eurosystem view is that the CRG should aim at clarifying the cost drivers from a business requirements perspective.

Mr Leveque informed that the MIB approved the baseline scope for release 2.0 for deployment in June 2018. There is one new CR included in the baseline scope for release 2.0, which is CR667, and two potential candidates CR646 and CR670.

He further debriefed on the status of other change requests relevant to the DCPs as follows:

- CR613: T2S should give the possibility to receive outbound T2S messages bundled in files. The change request is on hold at CRG level and guidance is sought from the CSG on the business case and requirements.

- CR614: Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported. This change request is currently under detailed assessment.

- CR653: Partial release functionality, the DCPs have been consulted on this CR twice, the CRG will share with the DCPG the preliminary assessment of CR643. The preliminary assessment will be discussed in the CRG meeting on 15 December 2017. The DCPG is welcome to share any comments on the preliminary assessment with the CRG before 8 December 2017.

3.2 Information from the Harmonisation Steering Group

The Chairperson introduced the new HSG secretary, Mr Gergely Koczan . Mr Koczan then informed the DCPG members on the HSG's current status, where there were three topics of interest:

- Code of Conduct for Withholding Tax procedures: progress has been made in the relevant EC fora with prospects of having the Code of Conduct adopted by end-2017.

- 8th Harmonisation Progress Report and Collateral Management Harmonisation activities – overall compliance with T2S harmonisation standards have been improving, with Corporate Actions and the T2S calendar remaining difficult areas. T2S Calendar – the T2S calendar differs from the T2 calendar on three days: Good Friday, Easter Monday and 1st May. On these days T2S is open for FOP settlement (this may change once the Danish Krone migrates), however, some CSDs closed on these days in 2017. As this is not harmonised the AMI-SeCo will discuss in the topic in the meeting on the 6-7 December 2017.

The DCPG members were debriefed by Mr Al Sbinati that a new version of the Catalogue of restriction rules version 1.2 will be presented to the Ami-SeCo for publication. The cross-CSD activity report initiated by the XMAP will also be presented for endorsement/publication. One of the main proposals of this report is to include an expanded range of cross-CSD activity indicators by segregating external CSD settlement statistics, as currently the intra-CSD settlement statistics include external CSD settlement.

Mr Al Sbinati also mentioned that the optional matching fields and in particular the best market practice for client of CSD participant will be further discussed in the next XMAP meeting, as it

appears based on production data that the client of CSD participant is rarely filled in, and LEI is not used.

Due to time constraints Ms Amend did not debrief on the Portfolio Transfer presentation and this will presented in the next DCPG meeting.

3.3 Information from CSDs

CSDs representative will share with the DCPG members' information about relevant recent developments.

3.3.1. T2S Release Management process

Mr Pattyn informed the DCPG members on the discussions in the Release Management Sub-Group (RMSG) and presented the "default assumption for yearly plan" of four major releases per year and that, the release dates need to be reviewed by CSDs as they could impact internal CSD pre-releases. The rationale behind T2S releases is to avoid the need of having ad-hoc Hot-Fixes, but rather having controlled releases.

Mr Pattyn debriefed on the release 1.3.1 that should have been deployed on 18 November 2017. The reason the release 1.3.1 was postponed is linked to the performance problems detected by 4CB on the T2S UTEST environment. 4CB's aimed at resolving the problems and deploy the release a week later. However, this option was considered a high risk in production and the release deployment was postponed to 16 December 2017.

3.3.2. Re-certification and re-authorisation of DCP actors

The CBF representative, Ms Amend opened the discussion on the certification/authorisation and re-certification/re-authorisation topic indicating that the DCP certification was to ensure that the DCPs do not cause any disturbances to the T2S platform. She further indicated that now there are two approaches concerning the DCP certification:

1. Clearstream decided to only request the certification for the "technical DCP - operator" and not for the "operated DCP", while
2. Iberclear opted to request the certification for both "operator" and "operated" DCPs.

Mr Sánchez (Iberclear) clarified that the "operated" DCP was certified through the "operator" DCP's system as the operated is not directly connected to T2S.

Mr Pattyn further informed on the "passport concept" meaning that if a DCP/DCA Holder has already been certified in T2S with an earlier migrating CSD/NCB, that same DCP/DCA Holder does not need to be certified with later migrating CSD/NCB.

Mr Castillo (ECB) informed that Iberclear requested to have all DCPs, both "operator" and "operated", on the Declared DCP List. As Iberclear made reference to the T2S Framework Agreement stated in Annex 1:

- *'Directly Connected Party (DCP)' means a T2S User, which has been authorised by its Contracting CSD or Central Bank to access T2S directly to use T2S Services, i.e. without the need for the Contracting CSD to act as a technical interface.*

And therefore, being a DCP on the Declared DCP list the DCP should be certified, making reference to Schedule 3 section 5.6.5.1 which states:

- *DCP certification is mandatory for any participant of the Contracting CSD that chooses to connect its IT systems directly to T2S.*

The Iberclear representative could not attend the full discussion, due to time constraints with his flight, and therefore could not provide Iberclear's point of view on the last part of the discussion.

As no agreement was reached, it was proposed to further discuss the issue in the next DCPG meeting. The ECB representative will provide a presentation on the topic with the intention to find a pragmatic solution that satisfies all parties.

Follow-up:

Ms Amend will send a presentation on DCP Definition, which was sent on the DCPG members on 1 December 2017.

3.3.3. Update on the Status of the Collective Agreement

The members of the DCPG were debriefed on the current situation on the Collective Agreement, which is in the final stage of signing by all CSDs and NCBs. Once finalised, the Collective Agreement will be published alongside the Framework Agreement.

3.4 Information from Central banks

Ms Tobiasch informed the DCPG members on the current status on the T2-T2S Integration project, suggesting that this project is potentially going to require specific attention by DCPs and DCAHs. She agreed to prepare a presentation for the next DCPG meeting.

4. Information from DCPs

The DCPG members are invited to take note of the information provided in this section, originating from other DCPs activities on items that are also relevant for all DCPs.

4.1 CSD communication to the DCPs on T2S Issues

The Chairperson informed the DCPG members that several fruitful conference calls had taken place between CSDs and the DCPs representatives (Citibank, DB and BNP Paribas). For this reason the experience will be repeated also in the future.

5. Open Issues Register

Due to time constrains the Open Issues Register was not discussed. For this reason Mr Topa asked the members of the DCPG to review the register that is published in the ECB DCPG webpage (Link included).

6. Any other business

7. Next steps: future DCPG meetings (suggested dates with CSG)

The Chairperson informed the DCPG members of the proposed meeting dates in the earlier CSG meeting, reported below. However, he mentioned that there could be changes in the CSG meeting of the 8 February 2018 due to hotel constrains caused by a trade fair in Frankfurt, and therefore there might be a change in the date, yet to be confirmed.

- *9 February 2018 (Berlin)*
- *17 April 2018 (ECB)*
- *13 June 2018 (ECB)*
- *10 October 2018 (ECB)*
- *11 December 2018 (ECB)*