SUMMARY OF THE

4th MEETING OF THE T2S DCP GROUP (DCPG)

Held in Frankfurt at the Hilton Hotel on 26 November 2014

0. Welcome and approval of the agenda

Mr Topa (Chairperson) welcomed the participants and presented a few changes to the group's composition that were already reflected in the members list published on the T2S website.

The participants approved the agenda for the meeting.

1. Review of open issues

1.1 Recent consultations and briefings

The members of the DCPG were informed on the developments following recent written consultations and briefed about recent decisions that are relevant to the DCPs:

a) <u>publication of T2S General Functional Specifications v5.0</u>: The GFS provides a general functional description of the T2S business application, developed to comply with the T2S user requirements. It includes elements such as the functional architecture (domains, modules and interactions), the conceptual models, the data model and the data flow process. The publication of the final version on the T2S website is foreseen on 10 December 2014;

b) <u>consultation from MSG on migration matters</u>: the MSG is in the process of elaborating the classification of activities that, during the migration weekends, would be communicated to DCPs (either centrally by the Eurosystem or directly by the relevant NCBs/CSDs); and will take a final decision at its next meeting on 11 December 2014. Following the feedback received by the DCPG, the MSG also confirmed that the 'Change of Date' message (camt.019) will be

provided to the DCPs together with all other A2A messages from T2S after the Point of No return (PoNR);

c) <u>Letter to Monte Titoli on validity of EOD statements from T2S</u>: DCPG members briefly discussed the email exchange with Monte Titoli, that aimed at clarifying the legal validity of T2S statements and reports and the possible steps that might need to be taken in exceptional situations of non-alignment between the Monte Titoli issuer accounts and the positions reflected on the T2S accounts. Other participating CSDs also confirmed that the statements and reports sent by T2S are considered final and with full legal validity;

d) <u>CSG TF on common insolvency procedures</u>: The taskforce aims at attaining a uniform adoption by all CSDs in T2S of various operational procedures for the management of insolvency cases. The work is not an attempt to harmonise legal insolvency rules and procedures, but rather targets a common understanding of practical procedures to share information, to identify all pending transactions related to the insolvent entity, and to manage the necessary actions related to the insolvency situations in a harmonized way across all CSDs and NCBs in T2S (as much as this will be possible under the applicable national legislations). The next meeting of the CSG TF will take place at the beginning of December and the conclusions will be brought to the CSG at its meeting on 11-12 December 2014;

e) <u>Review of T2S team's presentation on DCP definition</u>: the presentation is being reviewed by the PMG and a revised version should be released after the PMG conference call on 4 December 2014. The revised presentation aims at explaining which actors are supposed to attain certification and in which cases. The participants to the meeting also made clear that every combination of technical sender (TS) and business sender (BS) should be certified, as those two actors have a role in forming the messages sent to the T2S platform; whereas authorisation is required for each and every user. The DCPs were invited to send questions/comments on the topic to the T2S-DCPG address in view of having an ad hoc discussion after the PMG conference call of 4 December 2014. Separately from the presentation, recent discussions highlighted the conceptual differences between a purely technical definition of DCP for usage of SWIFT and ISO standards and the legal/business definition of DCP;

f) <u>Briefing to the AG on the DCPG activities</u>: the participants made only a few comments of form to the slides to be presented to the AG on 27 November 2014.

1.2 Open Issues Register

The participants focussed on matters relating to CCP arrangements, use of collateral, end-of-day operations and information on testing activities. Assigned priorities, responsibilities, deadlines and status updates following the meeting are included in the DCPG Open Issues Register v3.0 to be published on the T2S website.

2. Information from CBs and CSDs

2.1 Information from Central banks

The DCPG members received a short description of the possibilities for dissemination of securities valuation data for auto-collateralisation purposes.[1] The Eurosystem identified a few T2S screens and queries that give access to evaluation of securities earmarked for auto-collateralisation (i.e. not just those that are being used). To make T2S compliant with Eurosystem rules, privileges in T2S are being modified accordingly to limit the access to that information. As a consequence, payment banks will not be allowed to see valuation data for individual assets but only the aggregated value for the totality of the assets that have been earmarked for (client) auto-collateralisation purposes.

2.2 Information from CSDs

The chair invited the CSD representatives to inform the DCPG members about upcoming workshops for preparation to T2S:

- Euroclear is organising "implementation committees" for all participants to take place in the coming weeks. These fora will also include DCP topics. Euroclear gave also their availability in case institutions flag a need for dedicated sessions for DCPs only;

- OeKB already held workshops in Vienna for the local community and will hold a presentation at the T2S Info session hosted by Clearstream on Friday 4 December 2014 in Eschborn. On 28 and 29 January 2015, two sessions will take place at the Citibank premises in Frankfurt on connectivity modes: available options for DCPs and ICPs;

- Clearstream is organising another DCP workshop in Eschborn in the first week of February 2015.

2.3 AML/CFT scanning according to Directive 2005/60/EC

As per current design and scope, the T2S platform does not include a scanning function to comply with the requirements concerning anti-money-laundering / combating the financing of terrorism (AML/CTF). The CSG Chair Office proposed that possible implications for the DCPs deriving from the Directive 2005/60/EC be discussed also within the DCPG.

The participants agreed that banks are subject to the EU AML/CFT framework and must continue applying enhanced customer due diligence for high-risk customers or business relationships and have to have in place appropriate policies and procedures as specified by the respective national laws and national competent authorities. However it was not clear whether the same applies to CSDs. The DCPG members agreed that the matter requires further investigation as a situation where the CSDs have to comply with the EU AML/CFT framework, while the scanning function is not offered by T2S, could be a barrier to direct connectivity.

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[1] The same presentation was made to the AG on 26 November 2014.

3. Miscellaneous

3.1 Upcoming deadline for DCP declaration

The members of the DCPG were reminded of the deadline of 3 December 2014 for institutions to declare their intention of becoming a DCP in T2S in U2A mode in the first migration wave. They were also informed that a procedure will be prepared for this process in view to have a smooth management of the official list of DCPs as published on the [DCPG webpage](). The procedures will first be considered by the PMG in December 2014 and subsequently distributed.

3.2 Any Other Business

No further issues for discussions were raised by the participants.

3.3 Future DCPG meetings

The next physical meeting of the DCPG will take place at the margin of the 11th CSG meeting to be held on 11-12 December 2014 in Frankfurt.

The DCPG meetings for 2015 will follow the calendar of the CSG and AG meetings that are under preparation.