

DE AMI-SECO NSG

Conclusions
DE AMI-SeCo NSG
4 December 2017

1. Opening remarks and approval of the agenda

Jochen Metzger welcomed the attendees for the first meeting in the new DE AMI-SeCo-format. The minutes of the last T2S NUG meeting in July have been meanwhile finalised and are available at the internet.

2. Establishment of DE AMI-SeCo NSG

The chairman recalled that in the context of the new Eurosystem advisory groups on market infrastructures established last spring the Advisory Group for securities and collateral (AMI-SeCo) approved in its last meeting the mandate of the National Stakeholder Groups (NSG) as national links (comparable to the hitherto T2S NUG). In this vein the new NSG-format reflecting also the extended AMI-SeCo scope is now being implemented also for the German market (new e-mail contact DE-AMI-SeCo-NSG@bundesbank.de). The range of institutions hitherto present at T2S NUG level was deemed also to be appropriate to discuss future issues in the area of collateral management. He stressed that it was of prominent relevance that the institutions take care of adequate representation at NSG-level in order to ensure that relevant issues are holistically addressed within the institutions and consistent feedback could be brought back to the NSG/AMI-SeCo. However, this approach would be applied in a flexible and pragmatic manner as institutions might need to send other competent representatives according to the respective agenda. NSG presentations and minutes will continue to be forwarded in English and thus be easy to circulate within the institutions.

3. Reporting and debriefing

The chairman debriefed the NSG comprehensively on major events, decisions and policy issues that occurred since the last meeting in summer.

- Since TARGET2 went live in November 2007, the Bundesbank commemorated its tenth birthday together with its clients in November in Frankfurt.
- In view of the upcoming decisions at Governing Council level the Market Infrastructure Board was mainly dealing with policy issues related to new Eurosystem projects [decisions taken as planned on 6 December 2017].

- The Governing Council will decide on the realisation of both T2/T2S Consolidation as well as the Eurosystem collateral management system (ECMS) on 6th December. In view of the user-testing phase for T2/T2S-Consolidation expected to commence about Q2/2020 and its following Go-live in November 2021 the chairman stressed that it was of particular importance to already now raise awareness within institutions regarding the necessary comprehensive preparations. As far as the governance is concerned, in the realisation phase discussions will continue in a body very similar to the Task Force on Future RTGS Services. However, all T2S relevant topics and possibly necessary changes will be dealt with according to the T2S governance.

Further functional information on the liquidity impact of T2/T2S-Consolidation will be provided under item 4.1.

- Regarding the future collateral management system ECMS, which will enable multinational institutions to interact with the Eurosystem via one single interface, a Bundesbank representative provided an overview of its functional details.
- TARGET Instant Payment Settlement (TIPS) already approved by the Governing Council in June 2017 for go-live in November 2018 is currently being realised and user testing is expected to start in May 2018.
- T2S regular migration activities ended with migration of the last wave in September 2017. NDCDP was successfully on-boarded end-October 2017. From an operators point of view, T2S processing runs smoothly and performance is satisfactory (further details see item 5.1). Looking forward to upcoming milestones the on-boarding of the Danish Kroner as first foreign currency in T2S in October 2018 stands out.

A CSD representative debriefed the NSG members on major policy issue discussed by the CSDs in the CSG (i.e. issues around the regular on-boarding process, release management, T2S financial controlling framework, CSDR TF).

4. Items on the agenda of joint meeting of the Advisory Groups on Market Infrastructures on Payments and on Securities and Collateral

4.1 T2-T2S consolidation: impact on liquidity management

Recapping from what was presented so far in former meetings a Bundesbank representative provided deeper insight into design approach of T2/T2S-consolidation and the related impact on the institution's liquidity management. In particular, she introduced the key features of the central liquidity management (CLM) to clearly explain the liquidity optimising benefits for the institutions. In this context she touched also the potential impact from the consolidation on T2S.

4.2 T2S calendar: T2S on T2 closing days

A Bundesbank representative introduced the underlying issue discussed in various fora and elaborated on the different options on the table. In a tour de table there was consensus among NSG members that option 2b was the preferred solution under the given circumstances, i.e. to close T2S on those days when T2 is not open.

5. Issues around T2S

5.1 T2S in operations

The 4CB Functional Application Manager gave as usual an overview on T2S operations focusing on transaction statistics while highlighting major issues in this regard. From an operators perspective these statistics demonstrate that T2S processing also with the full work load has proven to be stable and performing well. As to the hot topic cyber resilience he provided information to the NSG members on the gap analysis carried out at 4CB-level that led to a dedicated action plan. In this context he detailed some information on the related workstreams set-up so far as well as the analysis of the data integrity issue.

5.2. Technical issues: Update on CRG/RMSG issues

The Bundesbank's CRG member provided a status update on all activities at CRG/RMSG level including in particular the status of the upcoming T2S releases. Related to the former NUGs strong position towards the implementation of CR 444 (User authentication without USB-token/SmartCard for GUI-access) the NSG was informed about the outcome of the respective ISSG meeting. In general, NSG members reiterated their strong concerns that even aggravated in the context of the cyber threat. From NSG members perspective the issue at stake is a general one (and not specific

to German users), however other communities seem to not having yet detected the relevance of this item. Since the decision-making on alternative authentication procedures involves the CISO-level of the institutions, it was agreed among the NSG members to deliver suggestions for possible alternatives to USB-token/SmartCard solutions ensuring strong authentication at the latest by end January 2018.

6. Issues related to AMI-SeCo post-trade harmonisation work

With respect to the upcoming AMI-SeCo meeting the draft eight T2S harmonisation progress report, the update of the impact analysis monitoring and a variety of other issues where addressed.

- A Bundesbank representative introduced the vital issue of collateral management harmonisation where considerable progress had been achieved in a rather short timeframe with establishment of the dedicated CMH TF. She explained in more detail the CMH TF approach and the way forward until mid-2018. The NSG appreciated very much the results of the TF's work so far.
- Coming from T2S operational statistics where xCSD settlement is of rather marginal importance a Bundesbank representative outlined the main findings of the XMAP report on xCSD settlement. In a subsequent tour de table NSG members gave their institution's individual evaluation on the current situation and their estimate of the future xCSD volumes to be expected.
- Regarding the issue of T2S optional matching fields discussed at length for years the outcome of the latest questionnaire was presented. One NSG member clearly stated in respect that the time was now to agree on either closing the issue or making the matching field mandatory somehow.
- Following the publication of the report on "The potential impact of DLTs on securities post-trading harmonisation and on the wider EU Financial market integration" the chairman of the HSG TF on DLT shed some more light on the two use cases elaborated meanwhile by the TF, namely shareholder registration and corporate actions. He furthermore informed briefly on the way forward in particular that work in this area should continue on broader fin-tech topics. The work of the TF and the aforementioned use cases were very well received by the NSG.

7. Eurosystem deliberations on taking collateral in Eurosystem credit operations – follow-up on open issues for Eurobonds realignment

Following-up on the last meeting a CSD representative provided further information on the solution currently prepared to enable xCSD DVP settlement of Eurobonds in T2S. The NSG very much appreciated the approach worked out by the ICSDs.

8. Miscellaneous

The NSG was informed about the upcoming focus session in Paris on 13th December July 2017 and the next AMI-SeCo NSG meeting taking place on 19th March 2018.