

**Conclusions**  
**DE AMI-SeCo NSG**  
**19 March 2018**

**1. Opening remarks and approval of the agenda**

Jochen Metzger welcomed the NSG members present for the current meeting and tackled first some organisational matters. Foremost, he bid farewell to Stephen Lomas and thanked him for his valuable contributions during his longstanding NUG-membership. Furthermore, albeit not available for this meeting Gesa Benda from BNY Mellon (Chair of the CMH-TF) and Patrick Arora from DSGV will join the German AMI-SeCo NSG while Jean Young from Morgan Stanley will replace Nicole Strauss-Kalkuhl. The chair welcomed Radoslava Tsvetkova from Eurex Clearing being physically present for the first time in the NSG. The minutes of the first AMI-SeCo NSG meeting in December 2017 have meanwhile been finalised and will be available at the internet soon. The NSG approved the agenda for today's meeting.

**2. Reporting and debriefing**

**2.1 Debriefing from T2S Steering Level**

The chairman debriefed the NSG members on issues occurred meanwhile at MIB-level. He referred in particular on the establishment of a Cyber Resilience Committee at MIB-level as well as on the upcoming entry into force of the T2S Collective Agreement. Furthermore, he clarified regarding the adjustment of both T2S-calender and T2-calender from 2019 onwards that

- T2S will be closed on Good Friday and Easter Monday and opened on 1 of May provided Denmark's successful migration in autumn 2018 whereas
- T2 will remain closed on all three aforementioned days.

Karla Amend updated the NSG on major issues discussed at CSG-level. This encompassed in particular the ongoing work on the demand management regarding the future evolution of T2S (to be established in the context of the financial controlling framework) and current issues in connection with other Eurosystem market infrastructure projects. Stephen Lomas introduced the issue addressed at the last CSG-meeting to what extent the expectations set out at the beginning of T2S by the T2S community have been met in the end. Karla Amend complemented the follow-up activities initiated meanwhile under the CSG-umbrella.

**2.2 Debriefing from DE AMI-SeCo NSG Workshop on 27 February 2018**

A Bundesbank representative outlined the main findings of the aforementioned workshop on evolution of Eurosystem's Market Infrastructure and on Collateral Management Harmonisation along the lines of the workshop's agenda. In case of need a further workshop might take place in spring in the same format.

**3. Status update on the T2/T2S consolidation and ECMS projects**

- Bundesbank representatives provided an update on the current status of the T2/T2S consolidation project highlighting in particular the respective governance structure as well as the deriving implications on T2S. Related to the current composition of the TCCG a CSD representative requested to expand the TCCG-composition by infrastructure providers. Several

NSG members deemed it also reasonable to involve infrastructure providers in the ongoing discussions at TCCG-level.

- The chairman raised awareness in the NSG that the cash side demanded a shift of the maintenance window for future TARGET-services. In a first reaction NSG members reminded that T2S required fundamental changes resulting in high adaptation cost for market participants. A shift in the maintenance window might require further changes in business processes resulting in further adaptation costs. In essence the NSG concluded, that it was now for the market to analyse the said issue from all relevant angles thereby also interlocking players both from cash- and securities side.
- In the context of the access to the future Eurosystem services via ESMIG some NSG members addressed the issue of the T2S GUI performance where the 4CB Central Manager Evolution Management had offered bilateral support.
- Another Bundesbank representative provided the NSG with an update of the ECMS project focusing in particular on the high-level planning aspects, the envisaged collaboration with AMI-SeCo and further information for ECMS counterparties. Especially with regard to the ambitious timeline one NSG member reminded German market participants to make use of given opportunities to provide input in time.

## **4. Issues around T2S**

### **4.1 T2S in operations**

As usual the 4CB Central Manager Evolution Management gave a brief overview on T2S operations focusing on transaction statistics that displayed stable processing in T2S.

### **4.2 Preliminary discussion on the review of T2S pricing**

Regarding the upcoming review of T2S pricing a Bundesbank representative introduced the issue by giving a recap on latest T2S volume developments as well as on the conditions set by the Governing Council in 2010. In the discussion it was clarified that savings gained from increased automation in the context of future Eurosystem projects do indeed contribute to a reduction of operating costs but cannot fully compensate significantly lower revenues deriving from insufficient settlement volumes. NSG members asked whether lower than expected volumes would not allow for downsizing the T2S capacity. The chair stated that this would warrant for a distinct change in user behaviour as to submitting T2S instructions especially at the end of the business day. In relation with the discussion of shifting the maintenance window (see agenda item 3) it became clear that a general discussion on the future T2S settlement day would be needed where all relevant angles are duly considered.

### **4.3 Technical issues: Update on CRG/RMSG activities**

The Bundesbank's CRG member provided as usual a status update on all activities at CRG/RMSG level. This included in particular the status of the DE AMI-SeCo NSG CRs and the status of future T2S releases. Regarding further proceedings on the CR 444 (User authentication without USB-token/SmartCard for GUI-access) she summarized the input received in the NSG written consultation. NSG members strengthened that the main issue at stake is the USB-Token, meaning to plug it into a USB port, which is considered to be highly insecure and moreover far away from being user-friendly. Furthermore, it has been stated that the current encryption on the token is not up to date. After having had an exchange of views, the NSG concluded on a Soft Token/RSA Token as a viable alternative solution providing strong authentication as requested by the ISSG. The NSG requested that such solution should not only be considered for the login to T2S (user authentication) but also for the implementation of NRO i.e. according to the current set-up two different certificates would have to be stored. With regards to future Eurosystem services the NSG pushed for uniform authentication process to all future Eurosystem services via Soft Token/RSA Token and address the

said issue also with the respective contact groups. It was agreed to update the T2S CR 444 accordingly and launch an initiative to discuss this also in the context of ESMIG.

#### **5. Issues related to AMI-SeCo post-trade harmonisation work**

- A Bundesbank representative outlined in more detail the ongoing follow-up activities in relation to the report on collateral management harmonisation. She focused in particular on the activities in the field of Triparty Collateral Management and Corporate Actions that should be delivered by June 2018. As to the involvement of the NSGs in the CMH-TF's work any documents shared with the NSG secretaries so far will also be shared with the German NSG. As regards to SWIFT's ambition for a comprehensive conversion to ISO20022 messages an NSG member called on the German NSG members to intensively familiarize themselves therewith.
- The HSG has worked on the review of the T2S harmonisation monitoring framework after the end of the T2S migration. A Bundesbank representative introduced the high-level proposals on the new framework submitted for endorsement by the upcoming AMI-SeCo. Furthermore she updated the NSG on further proceedings related to the issue of portfolio transfers discussed at the last HSG meeting. The NSG appreciated the future course of action that is deemed to consider the strong concerns brought forward by the German community in particular related to a submission of tax-related data. Stephen Lomas (Chair of the FinTech TF) updated the NSG on the FinTech TF's work. He focused in particular on the TF's workplan established until 2019 which focuses on the five key areas shareholder transparency and voting, corporate action information, withholding tax procedures, collateral management and governance of DLT environments. Related to the TF's composition the German market was rather well represented according to his statement.

#### **6. Update on Blockbuster prototype**

Following a request of the NSG a Bundesbank representative involved in the Blockbuster project informed the NSG on the progress achieved meanwhile. In this context he explained the underlying motivation as well as the existing restrictions and introduced the basic concept of the prototype. Afterwards he elaborated comprehensively on key lessons learnt so far from different viewpoints. The NSG very much appreciated this excursus.

#### **7. Miscellaneous**

The next AMI-SeCo NSG meetings are intended to take place in advance of the respective AMI-SeCo meeting on 20 June and 19 November 2018.<sup>1</sup>

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<sup>1</sup> A dedicated workshop of the NSG will take place on 15th May to exchange views in advance of the AMI-SeCo Ad-hoc WS on the review of T2S pricing.