



Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo)
National Stakeholders Group (NSG-PT)

Summary of 4th AMI-SeCo NSG-PT Meeting

Place: Telco Webex

Date: July 10th, 2020 – 10.00h to 11.40h

Institutions:

Banco de Portugal:

Departamento de Sistemas de Pagamentos (DPG)

Departamento de Mercados (DMR)

AEM

Members:

Maria Tereza Cavaco

Hugo Mira

Anabela Mendes

Lara Fernandes

Francisco Dias

Luís Oliveira

Fábio Michelli

Daniel Rodrigues

Fernando Chau

José Pedro Braga

José Luís Marques

Pedro Corsino Matos

Anabela Cardoso

Eva Janeiro

Hugo Nogueira

Mónica Gomes

Abel Ferreira

Matilde Perez



| Institutions: | Members: |
|--|------------------------|
| APB - Associação Portuguesa de Bancos | Ana Justino |
| Banco BPI, SA | Paula Silva |
| Banco Santander Totta, SA | Sofia Pereira Santos |
| BCP | Rita Roque |
| BNP Securities Services | Luís Castanho Ferreira |
| Caixa Central - Caixa Central de Crédito Agrícola Mútuo, CRL | Luís Moreira Fernandes |
| CGD, SA | Bernardo Silva |
| Citibank Europe PLC | Nuno Matos de Oliveira |
| Deutsche Bank | Sónia Costa Reis |
| INTERBOLSA | Filipa Alcaide |
| Novo Banco, SA | Pedro Góis Francisco |
| SIBS | Giselle Toloí |
| | Pedro Campos |
| | Miriam Ferreira |
| | Rui Matos |
| | Corina Oliveira |
| | Paulo Custódio |
| | Luís Sequeira |
| Absent Institutions: | |
| Comissão dos Mercados de Valores Mobiliários (CMVM) | |
| IGCP - Agência de Gestão da Tesouraria e da Dívida Pública | |



1. Introduction and presentation of the agenda

Banco de Portugal informed NSG-PT members about the expected postponement of the T2-T2S consolidation project go-live date, from November 2021 to November 2022 (this date is still subject to formal approval by the ECB Governing Council). Several Eurosystem working groups are assessing the implications of this postponement on the detailed project timeline / calendar, in particular with regard to the testing phases. As the ECMS project's go-live date is linked to the T2-T2S consolidation project, the impact on the ECMS timeline is still under analysis by the teams responsible for the development of the project.

While acknowledging that efforts by the Portuguese community to achieve success in adapting to these projects are complex and significant, Banco de Portugal reiterated that the various stakeholders should not slow down the current pace of work, in the development, planning, creation of buffers for the various tests, adaptation of the platforms, migration to the new language and messages, etc.

Incidents recorded on the T2S platform in the recent past were also mentioned, especially those related to the pandemic COVID-19 and the various mitigation and improvement measures adopted by the Eurosystem. In particular, the incident of 25th of May was mentioned and considered very serious by several stakeholders. The cooperation between the various entities involved was crucial for the resolution of these incidents.

2. *First Monitoring SCoRE exercise*

It was stressed, at the beginning of the presentation, that, following the probable postponement of the ECMS project's go-live, it is expected that the timetable for implementing the harmonization standards will also be revised, but no further



information on this subject is available at present.

All AMI-SeCo markets were asked to prepare their adaptation plans, resulting in 100 adaptation plans (8 triparty plans, 46 plans involving Corporate Actions and another 46 plans regarding billing processes). There are still 6 adaptation plans to be finalized.

Members were informed about the results of the first questionnaire, measuring the degree of implementation of the harmonization standards. It was recalled that the periodicity of these questionnaires is on a semiannually basis, and the next one should be carried out at the end of this year.

With regard to the Portuguese market and Corporate Actions, there was a very satisfactory overall participation rate. However, with regard to custodians, some did not answer some questions and others did not respond at all to the questionnaire, and given its importance an appeal was made to fill out this questionnaire in the next exercise. As for the implementation of the Corporate Actions standards, the results showed an optimistic situation. A concern was highlighted in relation to the issuers, considering that they were asked whether they were aware of their future obligations with regard to the provision of information to the stock exchange. The responses obtained revealed that about half were not aware.

The results obtained are similar for the implementation of the harmonization standards regarding Billing Processes.

In terms of compliance with the implementation of the Corporate Actions standards, it was emphasized that the responses acquired led to a need for increasing participation by the issuers, and the Association of Securities Issuers Listed on the Market (AEM) has been asked to promote the sharing of information with its associates, in order to get a favorable evolution in the next surveys.

Comparing the results obtained with the other markets, the share of the Portuguese market replies does not differ significantly.

Considering the global image of the various markets, the implementation of the Corporate Actions standards by Interbolsa is in line with its counterparts and with regard to custodians, the Portuguese market is above average. With regard to issuers,



although the Portuguese market does not compare poorly with the other markets, the low participation is an element to be taken into account.

Regarding to expectations, 65.8% and 71.1% of CSDs, for Corporate Actions and Billing Processes, respectively, should implement these standards before the deadline. As for custodians, about 30% believe they will be able to implement the standards before the deadline.

Finally, the questionnaire included a request to the CSD and custodians to provide an estimate of the share of their customers capable of communicating A2A, using ISO20022. The results show that, in most countries, the percentage is very low. AEM representative informed that answers given reflect the Association's understanding. Contextualized that, on the one hand, the questionnaire did not circulate among members, given that the questions had a high degree of complexity, and that in relation to the standards that were not implemented, the Association assumed that there is not enough information, so the criteria for answering was merely formal.

The Harmonization Steering Group (HSG) is available to promote the improvement of questionnaires, namely those related to issuers / custodians, which should be more focused on standards that concern issuers.

3. *Implementation of Adaptation Plan*

The National Adaptation Plan for the implementation of AMI SeCo standards on Corporate Actions and Billing Processes was sent to the ECB, as planned, in December 2019, after validation by the national stakeholders.

In the second quarter of 2020 took place the first exercise to monitor the implementation of these standards. In its response, Interbolsa made an adjustment to the timeline initially foreseen for the 1st and 2nd milestone, taking into account the teleworking situation resulting from the COVID-19 pandemic. After the confirmation of the extension of the timeline of the T2-T2S consolidation project, and the consequent



postponement of the ECMS project, a new replanning of the adaptation plan activities should be carried out.

It was mentioned that there was a request to the European Commission, by European CSDs and other stakeholders, for a one-year delay in the implementation of the Settlement Discipline, from February 2021 to February 2022.

The request for postponing by one year was also made to the European Commission on implementing the Shareholders' Directive, which has not yet been transposed into national legislation. However, a negative response to the request was sent by DG-JUST, so its entry into force will take place on September 3, 2020.

One representative mentioned that the transposition of the Shareholders' Directive requires clarification regarding the shareholder's concept and the need to transmit requests for identification of shareholders along the intermediation chain to the final investor, and that clarification on these issues from CMVM was already sought.

Another representative indicated the possible need for official institutions at NSG-PT to collaborate in this process.

4. *TARGET2-Securities*

The evolution of T2S activity was strongly impacted by the pandemic COVID-19, with significant increases, both in volume and value of securities, as of March 2020. At the national level, the same trend is visible in terms of volume, despite, in terms of value, changes in the settlement pattern did not change, with peaks in the days when repayments / issues of public debt securities occur.

With regard to liquidity transfers, the data shows, for the period from January 2019 to June 2020, that credit liquidity transfers reached a daily average of 372 million euros, while in the case of debit liquidity transfers there was a daily average of 367 million euros.



The volume increase in T2S was responsible for most of the 44 incidents that occurred on the platform in the first half of 2020, with a special incidence during the month of March. This increase in activity was reflected in disruptions in operation, causing, for example, delays in the end-of-day processes, temporary unavailability of some features and desynchronization between databases. On May 25, an exceptionally high number of transactions to be processed resulted in the abrupt cancellation of an event with a later impact on the settlement algorithms, requiring a Last Level intervention to reflect the transactions settled in the securities accounts and the Dedicated Cash Accounts (DCAs). The timetable plan for the implementation of the next releases of T2S was presented, describing the Changes Requests and production problems solved. In the cash side, reference was made to the changes related to the alignment of the T2S messages with the SWIFT ISO MR 2018-2019, introduced in release 4.2, with production scheduled for November 21, 2020, as well as to the changes in Cash Forecast reports, aiming to allow a more efficient liquidity management and the implementation of a new solution to support the NRO functionality, included in release 5.0, scheduled to go into production on June 12, 2021. Information on the calendar of upcoming releases and associated impacts will be updated on Banco de Portugal's institutional website at the end of July.

5. *TARGET Services evolution project*

The main topics presented cover the schedule of the T2-T2S consolidation project and the impacts of the referred project on T2S.

As for the calendar, a set of relevant milestones to the participating institutions was presented, which must be met by the go-live of the project. According to the milestones defined, all institutions should have already ensured the performance of the following activities: the creation of a transversal project team; the analysis of the project's impacts for the institution; the specification of the necessary changes; the beginning of the Network Service Provider (NSP) selection process; and the beginning of the development of the necessary software and internal tests.



The milestones defined for the period between July 2020 and November 2021 have the objective of ensuring the execution of the following activities: the signing of the contract with the NSP and the completion of the software development, until October 2020; the completion of internal tests, the connectivity configuration and the start of connectivity tests, until December 2020; the completion of connectivity tests and the start of community tests in February 2021; the completion of testing activities (including community testing and migration dress rehearsals), as well as legal and operational adaptations and training of human resources, by September 2021; and carrying out migration activities in a production environment, between October and November 2021.

However, these dates must be changed due to the expected decision of the Governing Council to postpone the go-live date by one year¹. Nevertheless, this postponement should not be perceived as an opportunity to slow down the pace of work, but rather as an opportunity to maintain it, creating a “time buffer” that allows for the timely migration of each institution, even in the face of additional barriers, that may arise in the future.

Regarding the impacts of the project at the T2S level, the Change Requests that will impact the T2S were also presented, highlighting, from the perspective of the participating institutions: the access to the T2S via Eurosystem Single Market Infrastructure Gateway (ESMIG); the change of some static data objects, which will be managed via Common Reference Data Management (CRDM); the availability of statistical information in D + 1, through the Data Warehouse (to the detriment of Long Term Statistical Information, in which the information is only available after three months); the discontinuation of the mandatory automated cash sweep at 5:45 pm CET and the default maintenance window during the week.

Despite the attempt to minimize the impacts of the project at the T2S level, these

¹ This decision was taken, see *link*
<https://www.ecb.europa.eu/paym/intro/news/html/ecb.mipnews200728.en.html>.



changes will have a significant impact for the CSDs, which will also be required an additional effort to support the tests by their customers, tests resulting from the new account structures, as well as changes in terms of liquidity management.

6. ECMS project

Since the beginning of 2020, the ECB has made available to the market, on its website, the following information package: (i) Business Description Document (BDD), which introduces the functions and characteristics of the ECMS and aims to provide some support to the various actors in the preparation for go live; (ii) a set of presentations in a harmonized format for the Eurosystem covering in more detail the various features of the ECMS and the planned lines of activity, such as milestones, tests and migration; and (iii) ECMS ISO 20022 messages, business messages for interaction with ECMS in A2A mode.

The ECMS is currently in the realization phase, which started in January 2018, and which will be extended until the go-live of the system. The ECMS detailed requirements document was approved at the end of 2019, and since the beginning of 2020 the group has been working on fine-tuning the requirements and requests for change requests, in particular following temporary monetary policy measures. The specification of requirements was elaborated in iterations, following a methodology of “Agile management”, without having to wait for the finalization and approval of the document to start the application development. ECMS has been developed and subject to internal tests in several release cycles, an activity that will continue during 2020 and 2021. In 2020, the specification of requirements for the data warehouse will begin.

At the operational level, documentation work has been developed such as: Operating Procedures Manual, User Manual and Connectivity Guide, the latter planned to be made available to the community in Q4 / 2020 - Q1 / 2021. Regarding the testing and migration line, a subgroup was recently created under the scope of the ECMS



specifically dedicated to the development of work in this area, and at this moment the Eurosystem Acceptance Tests (EAT) are beginning to be prepared and the writing of the Terms of Reference (ToR) for user tests, as well as the preparation of the calendar and test cases.

In 2020, the community readiness monitoring exercise also started, through the reporting of milestones. At this time, and until July 14, the deadline for completing and sending to Banco de Portugal the questionnaire relating to the first milestones (PSE and IAD1) is in progress. The calendar of milestones until the end of the project was presented; there remains the possibility of replanning due to the possible postponement of the ECMS project.

7. Other business

Given the need to update information on the various projects analyzed at this meeting and the ongoing activities of the AMI SeCo NSG, it was agreed to hold a new meeting at the end of November / beginning of December this year.