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SMPG Update

EMEA Region

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Agenda

- **T2S update – ISO 20022 Alignment**
- **Regulatory updates**
- **General Regional Updates**

T2S Update

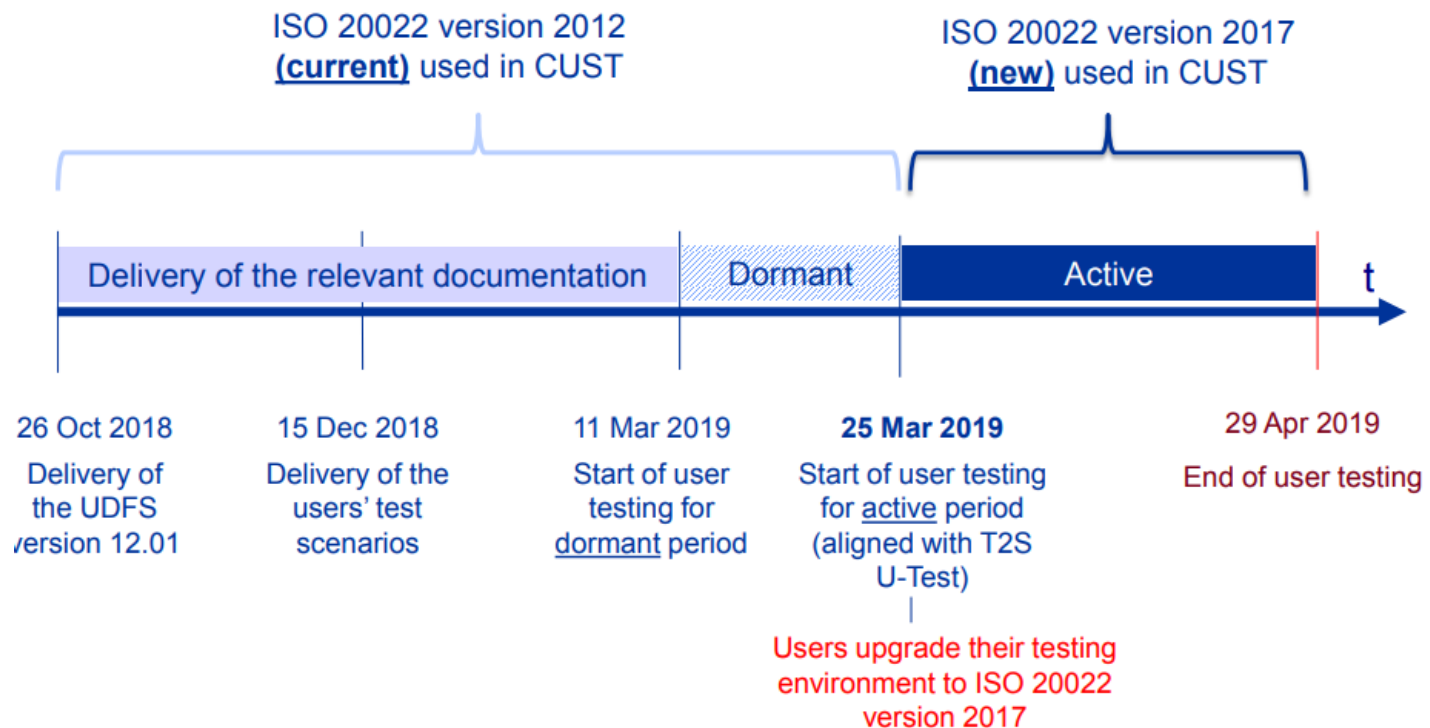
Alignment of T2/T2S Messages with ISO Maintenance Releases 2013 – 2017

- Currently, the T2S messages are based on ISO Maintenance Release 2011/2012
- The alignment with ISO Maintenance Releases 2013-2017 can be seen as a pre-condition for the future changes required due to the CSDR-impact
- The adoption of a more recent version of the ISO 20022 compliant messages (version 2017) was necessary in T2 to ensure the proper interaction with TIPS and T2S as these two services also announced the adoption of that same version
- Owing to the high workload for release 12.0 the implementation of the new version of the ISO 20022 compliant messages in TARGET2 was divided into two packages
- While the majority of messages were implemented as part of release 12.0 on 19 November 2019, those messages which are used for the interaction with T2S will be updated as part of the release 12.1.
- Although release 12.1 is scheduled on 29 April 2019, the changes will be kept dormant
- Users will continue to use the current version of T2S related messages until 10 June 2019, when T2S will also adopt the new version 2017.

T2S Update

Alignment of T2S Messages with ISO Maintenance Releases 2013 – 2017

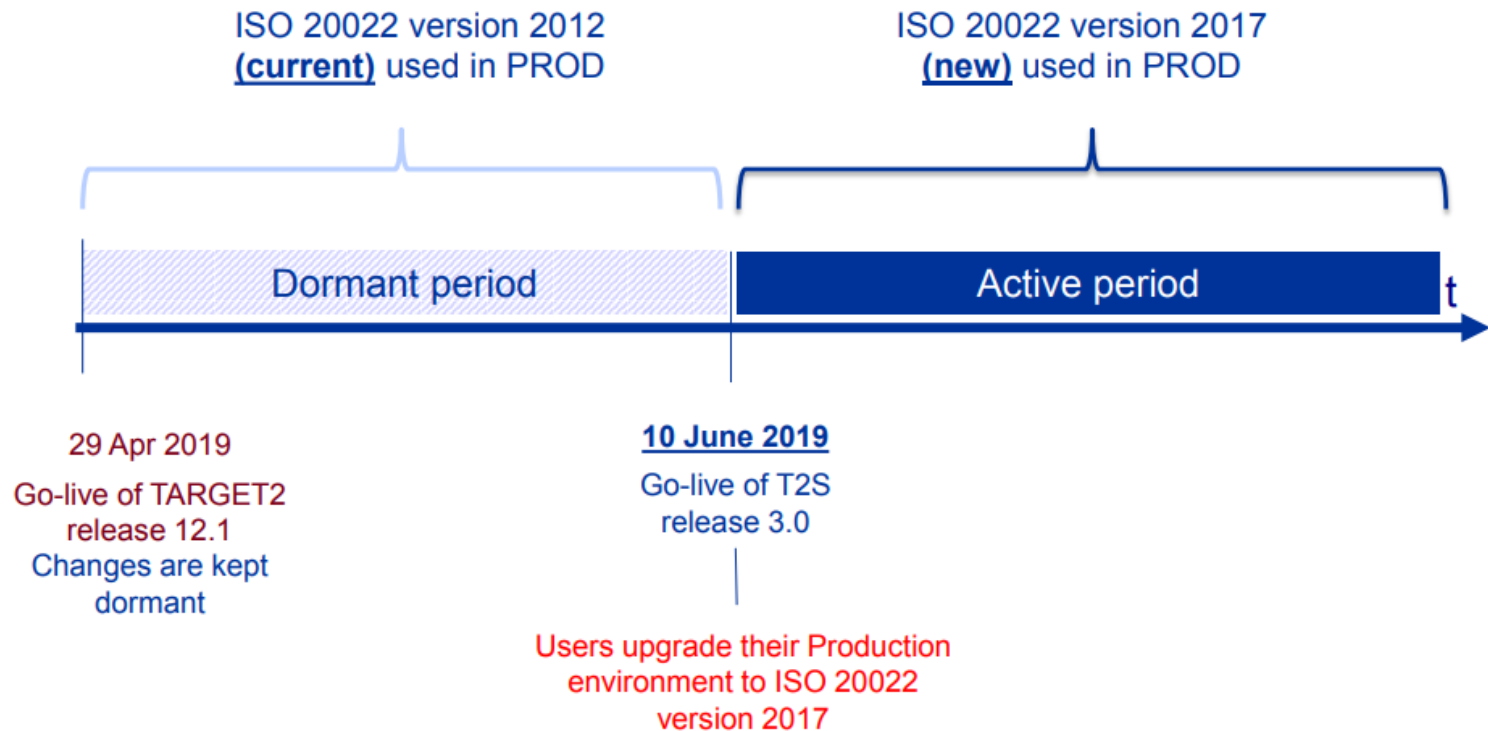
- Implementation in TEST environment



T2S Update

Alignment of T2S Messages with ISO Maintenance Releases 2013 – 2017

- Implementation in PRODUCTION environment



T2S Update

Migration of T2S Messages to ISO Maintenance Releases 2018 / 2019

- The 4CB have just raised the follow up CR(-713) they will migrate the T2S messages to the ISO Maintenance Release 2018/2019
- This CR is foreseen to be implemented with release 4.2, i.e. PROD deployment in November 2020
- The main rationale for this migration is the T2/T2S Consolidation because both TARGET Services have to be aligned
- Therefore it was agreed to migrate and keep both Services on ISO Release 2018/2019 until the go-live of the new T2 (RTGS & CLM).

Regulation

- CSDR

- A new penalty mechanism that will be implemented in T2S release 4.2 in November 2020
- One prerequisite for this new functionality is the development of a new ISO 20022 message
- Therefore the 4CB have developed the semt.044 (SecuritiesTransactionPenaltiesReport) together with SWIFT.
- To ensure full interoperability with ISO 15022 the existing MT537 and MT548 already have been and will be further aligned for SR 2019
- The ISO 20022 message will be registered after successful implementation in T2S PROD.

- SRD2

General Regional Updates

Norway

- Introduction of a 3rd Settlement Cycle
 - As part of the adaptation to CSDR, VPS introduced a third securities settlement cycle effective 15 March 2019. The market deadline to send Settlement Instructions for the third batch for settlement on S will be **14:15 CET**.
 - First Settlement Cycle:
 - 06:00 Settlement cycle starts. All Settlement Instructions received before 20:00 on S-1 will be included in the 1st Settlement Cycle.
 - 06:30 Book keeping finished.
 - 06:45 All processed messages and MT598 End of Settlement sent. First Settlement Cycle will be processed as the First Settlement Cycle of the day.
 - Second Settlement Cycle:
 - 12:00 Settlement cycle starts. All Settlement Instructions received before 12:00 will be included in the 2nd Settlement Cycle.
 - 12:15 Book keeping finished.
 - 12:30 All processed messages and MT598 End of Settlement is sent.
 - Third Settlement Cycle:
 - 14:15. Settlement cycle starts. All Settlement Instructions received before 14:15 will be included in the 3rd Settlement Cycle.
 - 14:15 – 14:30 VPS sends out liquidity forecasts and push messages to settlement participants who lack liquidity. Both settlement participants who lack liquidity and their liquidity banks will receive notifications from VPS.
 - 14:30 VPS starts the settlement process.
 - 14:50 Book keeping finished.
 - 15:05 All processed messages and MT598 End of Settlement sent.

General Regional Updates

Finland

- **New Requirements on Withholding Tax**
 - The Finnish Parliament approved the proposal on changes on withholding tax regime.
 - Current simplified withholding process that concerns investors with tax rates 15 – 29%. Going further the identity of all investors enjoying from reduced tax rates will need to be disclosed.
 - The non-treaty rate will be raised from 30% to 35%
 - The current Foreign Custodian Register will be replaced by a Depository Register with somewhat changed requirements and requiring custodians in current register to be re-registered.
 - Amendments will be implemented as of 1 January 2021.
- **T2S Time Opened for Discussion**
 - We expect that T2S timeline will be now moved earlier, likely somewhere 2022
 - Driver for the change is the new collateral management system (ECMS), which will be launched by ECB in Nov 2022. Maintaining Finnish bonds collateral eligible requires Finland to become participant in ECMS, which in turn requires to be part of T2S.

General Regional Updates

South Africa

- The JSE will be migrating the Equity Derivatives and Currency Derivatives markets from the Nutron trading platform onto the new Integrated Trading and Clearing (ITaC) technology. The date for implementation has been set as 29 April 2019.
- Strate, the South African CSD, will also be replacing their system – BaNCS MI. The implementation will occur in October 2019 and the CSD has been engaging with Participants to conduct testing and adequately prepare for a smooth system replacement. It should be noted that Bonds and Money Market is already live on BaNCS MI and Strate will now be moving Equities to the same platform.

General Regional Updates

UK & IE

Moving  ly on.....

General Regional Updates

Brexit

- 'No deal' Brexit scenario—Irish securities
 - EUI recognised as third country CSD and access to euro via ECB established
 - European Securities and Markets Authority (ESMA) has recognised EUI as a 'third country CSD' in accordance with Article 25 of the EU CSD Regulation
 - EUI's recognition will apply from 30 March 2019 to 30 March 2021, if a 'no deal' Brexit
 - this ensures that EUI will be able to continue its Irish securities settlement services after March 2019 in a no-deal Brexit scenario
- 'No deal' Brexit scenario -Euros
 - Euro access migrated from T2-CBOI to T2-ECB
- 'Deal' Brexit scenario
 - EUI continues as an EU CSD, with euro access via ECB until end of transition date , currently Dec 2020

General Regional Updates

Brexit (contd).

- Euroclear Bank as a CSD for Irish Securities
 - EB is the only long term solution being considered - No alternatives
 - All Irish assets will be held in EB Nominees Limited in dematerialised form only. Demat/remat will be possible through the registrars
 - Approx. 600 lines of EUI securities in scope, all likely to be accepted into EB Solution
 - No Central Bank money offering in scope. Members to Pre fund or have a collateralised credit line to settle trades
 - No showstoppers identified so far, working closely with Irish legal community and authorities to identify areas within the company act which should be changed in order for intermediated model to work
 - Of 114 Crest Users, 59 are EB members covering 97% of Irish share value – EB will discuss with those EUI users with no EB Access – but they may have to appoint custodians
 - Timeline is looking at November 2020 implementation



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