

# Clearstream TARGET2-Securities

## Bulletin

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## Clearstream to migrate to T2S in February 2017



Following extensive stakeholder consultations, the ECB Governing Council has now confirmed the final composition of the T2S migration waves, thereby providing planning certainty. According to the new schedule, Clearstream's CSDs in Germany and Luxembourg (LuxCSD, run jointly with BCL) will migrate in wave 4 on 6 February 2017. Clearstream's readiness is not affected by this schedule change, as we completed the technical implementation in November 2015 with a first successful major T2S migration test.

The Community Test for Clearstream, its customers and the other wave 4 participants will take place between

July 2016 and January 2017. While the duration of this testing period corresponds to earlier schedules, customers should note that the actual testing time is shorter as the test environment will not be available during deployments, around the migration dress rehearsals and the year-end holiday season.

The launch of value-added services which will maximise the benefits of T2S for our customers will not be affected by the change in the migration schedule. The rollout of our new single network and asset servicing functions for our Investor CSD offering will continue as planned, as will the upgrades to the Global Liquidity Hub. Further details are available on the [Clearstream website](#).

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### T2S Migration waves

Wave 2	Wave 3	Wave 4	Final Wave
28 Mar 2016	12 Sept 2016	6 Feb 2017	18 Sept 2017
<ul style="list-style-type: none"> <li>- Interbolsa (Portugal)</li> <li>- NBB-SSS (Belgium)</li> </ul>	<ul style="list-style-type: none"> <li>- Euroclear ESES (Belgium, France, Netherlands)</li> <li>- VP Securities (Denmark)</li> <li>- VP Lux (Luxembourg)</li> </ul>	<ul style="list-style-type: none"> <li>- Clearstream Banking AG (Germany)</li> <li>- LuxCSD (Luxembourg)</li> <li>- KELER (Hungary)</li> <li>- KDD (Slovenia)</li> <li>- CDCP (Slovakia)</li> <li>- OeKB (Austria)</li> </ul>	<ul style="list-style-type: none"> <li>- Iberclear (Spain)</li> <li>- Euroclear Finland</li> <li>- Baltic CSDs (Estonia, Latvia, Lithuania)</li> </ul>

Composition of forthcoming waves under the revised migration schedule.

# Clearstream and LuxCSD readiness for wave 2

When T2S wave 2 goes live over the last weekend in March, the only things our customers should notice will be some information updates in our Creation Link Guide and Market Profile for Belgium and Portugal. This is because our guiding principle has been to make sure we keep disruption to our customers to an absolute minimum, and to make sure that only mandatory adaptations are passed through. By shielding our customers from the platform changes, we can help them to reduce their change management costs and testing needs.

To give you some insight into what has been happening behind the scenes though, we have been working hard on readiness for wave 2 for over a year. This is what will ensure that all elements of the change are handled smoothly. Below we give you a peek into some of the activities that have been going on.

## Ensuring technical readiness

Over a year in advance we contacted our local agents to get a clear understanding of the adaptations they were making, as well as to re-negotiate

the service level agreement for the post-T2S world. This made sure that we could minimise any potential operational disruption to our services to customers.

Aside from operational risk, another of our top priorities has been to make sure that our customers continue to benefit from strong legal certainty concerning ownership of assets held with us. Our in-house legal team has conducted a deep analysis of the contractual framework of the change to ensure that the same standard of

asset protection is maintained that our customers enjoy today.

## Communication with our customers

Keeping our customers in the loop at every stage of the migration process has been a key focus for us. We started informing our customers about upcoming changes six months in advance of the migration via announcements on our website, and we have been following this up with further announcements on a regular basis.

Of course, customer communication will not stop with the migration weekend. We will be keeping you posted after the go live with further information on how the process went and any issues that might have been encountered. Here at Clearstream we are preparing for a successful and smooth migration, and look forward to providing you with “business as usual” conditions following the implementation.



# The Xact Web Portal provides a single access point to all Clearstream services

As market participants gear up to the new world of settlement under T2S, Clearstream has been revving up its connectivity solutions to offer customers a single web-based access point to the T2S platform and the services of Clearstream and LuxCSD.

The Xact Web Portal is Clearstream's dynamic, smart new connectivity graphical online interface for customer access to its services. Based on proven, up-to-date technology, the Xact Web Portal enables customers to use a single point of access for more than one service and processing platform.

Already live for collateral management services for Clearstream's ICSD since September 2013, this Web Portal will increasingly also become the access point for customers to utilise Clearstream T2S securities processing solutions including settlement, asset servicing and collateral management

services in the run-up to Clearstream joining the T2S platform.

Through the Xact Web Portal, customers will be able to enjoy single access to the best of both worlds under T2S: settlement in commercial bank money via Clearstream's ICSD and in central bank money via Clearstream's domestic central securities depositories (its German and Luxembourg CSDs).

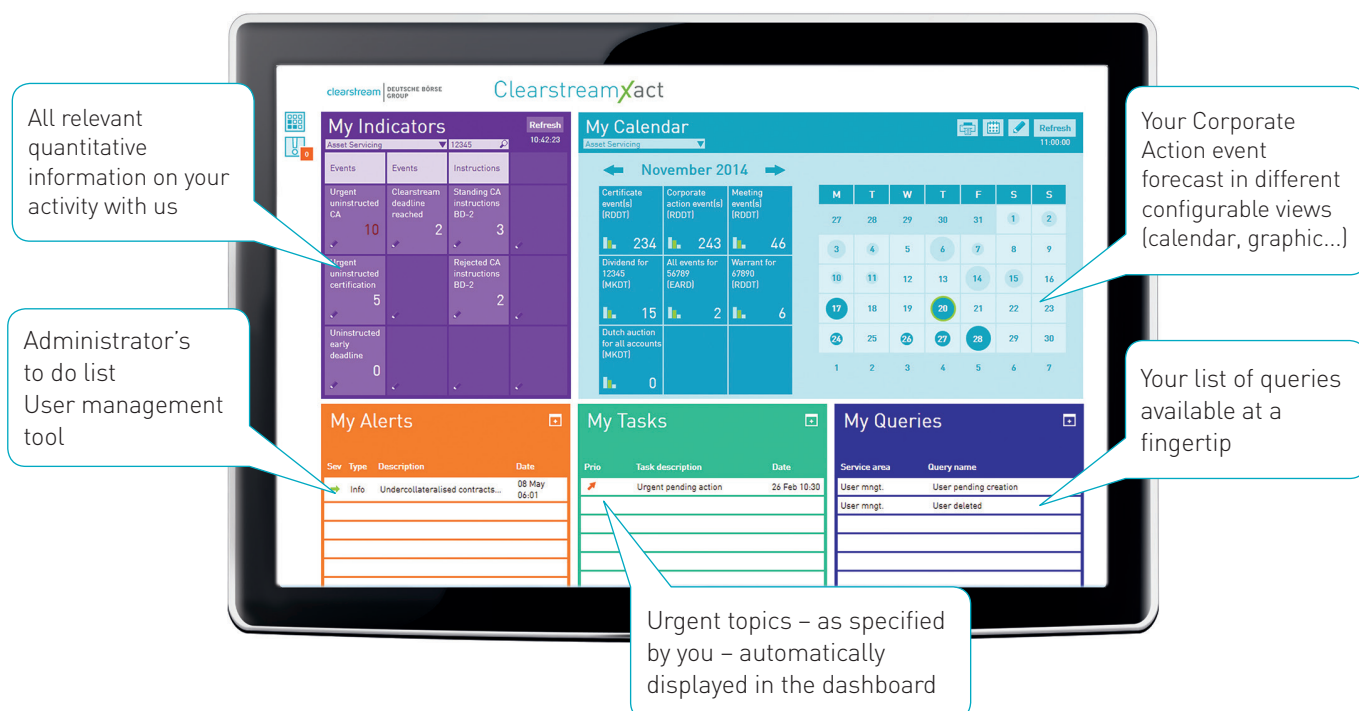
Customers will enjoy a personal dashboard to individually manage, control and monitor their activities. Any urgent topics, such as changes

in specific markets, which may have a direct impact on their transactions, can be made to automatically flag up on their dashboard, which also offers a quick glance of pending queries and real-time balances and settlement updates.

A mobile phone app is already available, offering the possibility for customers to pick up alerts direct from their mobile phone or tablet.

A sneak preview of the Clearstream Xact Web Portal dashboard is as follows. For further information, see the [Clearstream website](#).

**The dashboard, your business at a glance. Your personal "homepage" to manage, control and monitor your activity.**





# Cash processing in a T2S environment

The Eurosystem's T2S platform provides European central securities depositories (CSDs) and their customers with a harmonised settlement service for national and cross-border securities transactions conducted in central bank money. The settlement of securities transactions in "delivery-versus-payment" mode requires the setting up of a T2S dedicated cash account (DCA). Banks' T2S DCAs are held with a central bank.

As "bankers' bank", the Bundesbank has been opening T2S DCAs at the request of its customers since T2S operations went live in June 2015. This has allowed banks – which are active in multiple European markets – to pool their liquidity for the settlement of these transactions into a single account at the Bundesbank right from the beginning, and to gradually dissolve the liquidity and collateral buffers that were previously required for settlement in different markets. Moreover, the Bundesbank has offered banks the option to use T2S auto-collateralisation from the very start. It also advises its customers on devising an appropriate account set-up.

Following the migration of the German CSD Clearstream Banking AG (CBF) in February 2017, the cash leg of a securities transaction will no longer be settled via sub-accounts in TARGET2, as is currently the case, but via T2S DCAs.

## Preparation of the Community Testing

The Community Testing phase for the German market will commence in July 2016; during this phase T2S functionalities will be subject to intensive testing by all participating banks. This testing phase is also intended for participants to become familiar with the T2S application and T2S functionalities for the cash side. It should be particularly noted that daytime settlement in T2S occurs exclusively in real time (and not in batch mode, as is currently also possible).

In order to fully test the settlement of securities transactions in T2S, it is mandatory to open a T2S DCA for test purposes and to link this account to the corresponding T2S securities accounts. Participants have until 31 March 2016 to submit their forms to CBF and to the Bundesbank's customer service team. If the forms are submitted late, it cannot be

## Interview with Jochen Metzger

Head of the Payments and Settlement Systems Department at the Deutsche Bundesbank

Member of the CBF Advisory Board and T2S Board Member



guaranteed that the testing will begin on schedule. The forms and more information on cash connectivity can be found on [Bundesbank's website](#).

It is extremely important that the information provided in these forms is consistent, as the T2S static data is interrelated on both the securities and cash side. The Bundesbank will therefore work closely with CBF as it has done successfully in the past, and clear up any discrepancies with the participants in question. Particularly the DCA account number and the T2S services selected (use of T2S auto-collateralisation, CBF's liquidity transfer service and/or the CBF cash forecast) are in focus.



# In short

## Migration Weekend Dress Rehearsal

A Migration Weekend Dress Rehearsal (MWDR) simulates the migration weekend under conditions as close as possible to production. All CSDs and NCBs of the respective wave are required to participate in the MWDRs. CBF strongly recommends to both its DCP and ICP customers to also take part.

During the MWDR, only dynamic data is migrated; static data is migrated beforehand, during a so-called "pre-migration". A MWDR covers the time period starting from the end of the last business day before the migration to T2S until the end of the first business day in T2S. In general, the start of the Community Test and Business Day Test of a wave are preceded by a MWDR on the previous weekend. The MWDR is based on a Migration Weekend Playbook that provides a detailed description of the necessary steps that are applicable during the migration weekend.

Clearstream executed a first MWDR at the end of 2015 with excellent results. All of Clearstream's technical targets were fully achieved (performance, stability and data quality), proving Clearstream's technical readiness for T2S.

## Simulation environments

CBF's permanent simulation environment for its customers is known as IMS23. The simulation environment supports all productive technical communication channels: File Transfer, MQSeries and SWIFT for instruction and reporting. In addition, CASCADE Online (Host / PC) can be used. During the Community and Business Day Tests, IMS23 will be connected to the T2S Community Test environment as well as to the permanent simulation environment for TARGET2, T2CUST.

As preparation for the Community and Business Day Tests, CBF, together with the respective central bank will ensure that the customer setup in IMS23 and in the T2S Community Test environment mirrors the customer setup of the future T2S production environment.

Whilst the customer setup in the T2S Community Test environment and in IMS 23 is similar to production, the setup in T2CUST requires additional information. CBF will collect further information relevant for the simulation via the "CBF Simulation Questionnaire". The questionnaire is

procedures on T2S. The CA represents the joint outcome of the T2S Task Force on Settlement Finality and Insolvency, agreed upon in late 2015.

The CA clarifies the roles and responsibilities in an insolvency scenario. Beyond the roles and responsibilities the Task Force has analysed a set of insolvency use cases. For each of the use cases the respective procedures have been defined. In a further step the Task Force has analysed the necessary tools required to handle insolvency procedures on T2S. In order to support the newly agreed procedure it is



scheduled to be published at the end of March 2016 for completion and return to CBF by 2 May 2016 to ensure the correct setup of the simulation environment. If CBF customers opt for cash-related services such as T2S auto-collateralisation, they must ensure that the necessary sign-up forms are delivered to their central bank beforehand.

## Collective Agreement

The Collective Agreement (CA) is a joint agreement between the ECB, NCBs and CSDs. The CA focuses on the case of the insolvency of a CSD's or central bank's participant with the target to establish harmonised insolvency

foreseen to enhance the T2S software, with the aim to prevent the entering of instructions from insolvent participants and support the management of an insolvency event. The defined procedures are compatible with the different national insolvency laws and will form part of the Manual of Operational Procedures.

The CA will become effective once all parties have signed the agreement and the relevant procedures and tools have been tested and confirmed successfully. It is expected that this will be in February 2017, when CBF migrates to T2S.

# Important upcoming dates

Date	Description	Customer action required
28 March 2016	T2S wave 2 migration	Yes – all customers active in wave 2 markets
30 March 2016	Preliminary CBF simulation guide and questionnaire available	Yes – all CBF customers have to return filled in questionnaire by 2 May 2016
16 - 17 April 2016	Migration Weekend Dress Rehearsal wave 4	
25 April 2016	Wave 4 Interoperability Test commences	
29 April 2016	Final CBF simulation guide available	
2 May 2016	Simulation questionnaire has to be returned to CBF	Yes
2 May 2016	CBF May release	Yes
2 May 2016	Spain Reforma phase 1 introduction	Yes
2 - 20 May 2016	CBF simulation environment for wave 3 available	Yes
21 - 22 May 2016	Migration Weekend Dress Rehearsal wave 4	
2 July 2016	Launch of settlement and reporting functionalities in the Xact Web Portal	
8 - 9 July 2016	Migration Weekend Dress Rehearsal wave 4, with customers	Yes
11 July 2016	Wave 4 Community Test commences	
25 July - 11 November 2016	CBF simulation environment for wave 4 available	
1 August 2016	Wave 3 Business Day Test commences	
31 August 2016	CBF migration guide available	
12 September 2016	T2S wave 3 migration	
18 September 2016	Spain Reform phase 2 introduction	
1 - 2 October 2016	Migration Weekend Dress Rehearsal wave 4	
15 October 2016	Account setup freeze for CBF customers	Yes – all CBF and LuxCSD customers acting in wave 4 markets
19 November 2016	Launch of asset services functionalities in the Xact Web Portal	
21 November 2016	CBF November release	Yes
31 December 2016	CBF Community Readiness	
1 January 2017	Record Date harmonisation in Germany	Yes – all customers active in the German market
2 January 2017	Wave 4 Business Day Test commences	
6 February 2017	T2S wave 4 migration, including Clearstream entities	
18 September 2017	T2S final wave migration	

\* Dates highlighted in dark blue are imposed by the ECB.

**IMPORTANT:** We kindly ask all CBF and LuxCSD customers to forward to us their BIC 11 information and to finalise their account set up. This will allow CBF and LuxCSD to perform necessary checks and to ensure that all accounts will form part of the forthcoming testing activities.

## Contact info

We are looking forward to supporting and guiding you on a smooth and successful transition towards T2S. Please do not hesitate to contact us.

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