

27 November 2024

Proposal on updating T2S Harmonisation Standard 5 and on a new T2S harmonisation standard on DCP access to T2S

1. Background and purpose

In its meeting held on 25 June 2024, the AMI-SeCo agreed to work on resolving the issue of differing interpretations on whether [T2S Harmonisation Standard 5: T2S schedule for the settlement day and calendar](#) requires CSDs to provide DCP access or not.

The SEG discussed this topic in several rounds, most recently in their meeting on 5 November 2024. This note sets out the agreement in that SEG meeting.

T2S Harmonisation Standard 5 puts forward four conditions for markets to be considered compliant, one of which focuses on directly connected parties' (DCPs) access. While one possible reading of the text of the Standard is that it sets out a requirement on T2S CSDs to offer DCP access (where it is requested by CSD participants), an alternative reading of the Standard is that it simply requires that DCPs are not discriminated in terms of their access to T2S throughout the settlement day.

To obtain an overview of current practices by T2S CSDs on offering DCP access, the SEG agreed to execute a survey among T2S CSDs on whether they allow / offer DCP connectivity to their participants. The survey on current practices by T2S CSDs and DCP access was prepared and circulated to T2S CSDs in June 2024. The outcome of the survey is presented in the annexed document.

After having discussed the outcome of the survey, the SEG agreed on (i) a proposal to modify the text of T2S Harmonisation Standard 5, so as to limit the scope of this Standard to the T2S calendar and schedule of the settlement day, and (ii) a proposal for a new T2S Harmonisation Standard that covers the provision by T2S CSDs of DCP access.

2. Proposed update to T2S Harmonisation Standard 5

The original text of T2S Standard 5 is transcribed below (Box 1), along with the proposed updates to the standard (Box 2).

Original text of T2S Standard 5

T2S markets should be fully compliant with the T2S schedule for the settlement day and calendar, available on the T2S website.

To ensure consistency when monitoring implementation across T2S markets, it should be clarified that the status of “full compliance” with the T2S schedule and calendar is achieved if the following conditions are met by the T2S market/CSD in question.

The T2S market/CSD operational model should ensure that:

1. the CSDs’ securities accounts in T2S are available for bookings (credits, debits, realignment, etc.) until the FOP cut-off and the NCBs’ dedicated cash accounts in T2S are available for bookings until the last cash sweep of the relevant currency;
2. settlement efficiency in T2S is not affected – for example, the T2S market/CSD will participate in the start-of-day processes and in the timely processing of corporate actions in a systematic manner;
3. all other T2S daytime (operating hours) and cut-off times are respected (delivery-versus-payment (DvP) cut-off, etc.);
4. CSDs provide directly connected parties (DCPs) with authorisation for connecting to T2S (where required and subject to the relevant T2S technical requirements).

Proposed updates to T2S Standard 5 (updated text in GREEN)

T2S markets should be fully compliant with the T2S schedule for the settlement day and calendar, available on the T2S website.

In order to ensure consistency when monitoring implementation across T2S markets, it should be clarified that the status of “full compliance” with the T2S schedule and calendar is achieved if the following conditions are met by the T2S market/CSD in question.

The T2S market/CSD operational model should ensure that:

1. the CSDs’ securities accounts in T2S are available for bookings (credits, debits, realignment, etc.) until the FOP cut-off and the NCBs’ dedicated cash accounts in T2S are available for bookings until the last cash sweep of the relevant currency;
2. settlement efficiency in T2S is not affected – for example, the T2S market/CSD will participate in the start-of-day processes and in the timely processing of corporate actions in a systematic manner;
3. all other T2S daytime (operating hours) and cut-off times are respected (delivery-versus-payment (DvP) cut-off, etc.);
4. directly connected parties (DCPs) with authorisation (granted by their respective CSD) for connecting to T2S have access to T2S throughout the settlement day.

3. New T2S Harmonisation Standard on providing DCP access

The SEG agreed, for the sake of transparency, to document the AMI-SeCo expectation that T2S CSDs provide DCP access via a new T2S harmonisation standard. This implies that the standard would be part of the annual compliance monitoring review and would be included in the document describing T2S harmonisation standards after endorsement by the AMI-SeCo.

Proposed text of the new standard (harmonisation activity):

[Preamble]

The objective of this activity is to ensure that T2S CSDs uniformly make available to their participants the possibility of directly connecting to T2S, considering that

- a) providing DCP access is not a mandatory requirement from T2S CSDs under the T2S Framework Agreement,
- b) Principle 11 of the [T2S General Principles](#) states that the design of T2S should be such that it allows users to have direct connectivity,¹
- c) the 2024 survey among T2S CSDs on their existing practices revealed that, in principle, almost all T2S CSDs are open to offer DCP access to their participants,
- d) a uniform availability of DCP access across all T2S markets is required since it is an important functionality that allows CSD participants to adopt the same message structure and content across all CSDs connected to T2S. Hence the use of DCP access to T2S by institutions active in many markets contributes to harmonisation of messaging practices and helps preventing that diverging local messaging practices emerge,
- e) there are cases where additional services of the CSDs are required to facilitate settlement for market specifics in particular scenarios (e.g. in case of registered securities in certain markets)

T2S CSDs provide DCP access, if demand for such access is articulated by any of their participants. The availability of unrestricted DCP access to T2S may be limited only for strictly justifiable reasons.

¹ T2S General Principle 11: “**T2S shall allow users to have direct connectivity to its platform.** CSDs retain the business and legal relationship with their customers. All securities account balances are available in T2S, irrespective of the choice of connectivity. From a T2S point of view, the connectivity choice refers solely to the way in which users interface with T2S in order to send and maintain settlement instructions and access information services, i.e. use messages, queries and reports as defined in the T2S user requirements. Irrespective of the way in which they connect to T2S, settlement instructions are subject to equal processes within T2S. The connectivity choice is also neutral to CSDs, since all the necessary information, even from directly connected users, is available to CSDs.”

DRAFT