

TARGET2–Securities/BOGS

BOGS' functionalities in T2S



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



APRIL 2014

TARGET2–Securities/BOGS

Items to be discussed

1. Static Data Management
2. Matching
3. Mapping of current operation types in T2S
4. Additional operations/functionalities in T2S
5. HDAT auction for the covering of short positions
6. WEB GUI application
7. Miscellaneous



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



1. Static Data Management (1/4)

PARTICIPANTS

Participants in T2S will be named based on two BICS, the parent BIC, i.e. BIC of the CSD or NCB for payment banks and their own BIC.

The current participants' codes in BOGS will remain and can be used from the ICPs (ISO 15022).

In ISO 20022 messages only the use of BIC is allowed.

For harmonisation purposes, we strongly propose that, in all cases, the BIC is used for the participants' identification



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



1. Static Data Management (2/4)

SECURITIES ACCOUNTS

The existing securities accounts in BOGS will be 1-to-1 mapped in T2S.

For harmonization purposes, the naming of these securities accounts in T2S will follow a general numbering scheme, i.e. 35 characters of which the first 4 will indicate the CSD, while the remaining 31 characters can be defined by each CSD.

BOGS will apply the following (naming) scheme for its securities accounts in T2S:

BNGR1008NN...NNX...XZZ

ICPs may continue using the current BOGS' accounts in the ISO 15022 messages, while the DCPs should fill the T2S name in their ISO20022 messages.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



1. Static Data Management (3/4)

SECURITIES BALANCES (1/2)

In T2S the balances per ISIN in a securities account may be segregated into multiple sub-balances of different restriction types, i.e. **blocked**, **reserved** or **earmarked**, which may be used for specific purposes, such as the settlement of a specific instruction.

These sub-balances are identified by the ISIN, the security account and the restriction type Id. The latter should be configured in the static data, prior to any possible use, either by the CSD for its participants or by the T2S Operator for specific operations, such as earmarked balances for auto-collateralisation.

1. Static Data Management (4/4)

SECURITIES BALANCES (2/2)

A participant may move securities between sub-balances in a securities account with the use of a Settlement Restriction (SR). This can be done either via a semt.013 message for ISO20022 or a MT524 message for ISO15022.

More specifically, a participant may instruct T2S:

- With a SR to set-up, increase or decrease a **blocked** or **reserved** sub-balance. In the case of increase or decrease, the reference of this sub-balance automatically assigned by T2S upon set-up, should be mentioned.
- With a SR or Settlement Instruction (SI) to set-up, increase or decrease an **earmarked** sub-balance. The earmarked balances **are not assigned any reference** and only the restriction type is required in the following instructions.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



2. Matching (1/4)

Matching will be fully outsourced to T2S.

The relevant process to T2S is based on a set of matching fields, separated in three different categories, the **mandatory**, the **additional** and the **optional** matching fields.

The **mandatory** matching fields should be filled by both counterparties.

The **additional** matching fields, if present should be filled by both counterparties accordingly, otherwise the instructions won't match.

Finally, the **optional** matching fields are checked for matching purposes, if filled by both counterparties, otherwise they can even match with an empty field.

A list of the matching fields per category is included in the following slides.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Matching (2/4)

Mandatory matching fields

DVP/DWP	FOP
Payment Type	
Securities Movement Type	
ISIN Code	
Trade Date	
Settlement Quantity	
Intended Settlement Date	
Delivering Party BIC	
Receiving Party BIC	
CSD of the Delivering Party	
CSD of the Receiving Party	
Currency	n/a
Settlement Amount	n/a
Credit/Debit	n/a



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ

ts
TARGET2-SECURITIES

3. Matching (3/4)

Additional matching fields:

DVP/DWP	FOP
Opt-out ISO transaction condition indicator	
CUM/EX Indicator *	

Optional matching fields:

DVP/DWP	FOP
Common Trade Reference	
Client of delivering CSD participant	
Client of receiving CSD participant	
Securities account of the delivering party	
Securities account of the receiving party	



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ

ts
TARGET2-SECURITIES

2. Matching (4/4)

Cash Tolerance Amount

The rules for matching in regards to the settlement amount, are different from the ones existing currently in BOGS and are presented in the following table:

COUNTERVALUE FOR THE CASH AMOUNT	TOLERANCE
≤ EUR 100.000	EUR 2
> EUR 100.000	EUR 25

In case there is more than one potentially matching SI, T2S chooses the one having the smallest Settlement Amount difference or closest entry time, if more than one SI satisfy the above rules.

It is noted that the settlement amount of the seller is used by T2S as the 'Countervalue for the cash amount' and is also submitted by T2S for settlement. The relevant transaction generated by BOGS will use this cash amount for the final settlement.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Mapping of current operation types in T2S

(1/9)

BOGS operation types in T2S

In regards to the current operation types in BOGS, the following will apply:

- The list of operation types currently supported by BOGS will be updated, meaning that some of the existing instructions will be abolished in T2S.
- The automatic generation of the forward leg of Repo, Buy-Sell back and Loan with fixed maturity will be dropped.
- BOGS special operations, i.e. Exchange of ISIN will remain as they are
- The process for pledging/releasing securities will be updated



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Mapping of current operation types in T2S (2/9)

The operation types that will be preserved are:

- Delivery/Receive versus Payment (RvP/DvP)
- Free Delivery or Receive of Securities (FOP)
- Internal Transfer of Securities
- Repo
- Buy/Sell back
- Simple Loan
- Maturity of indefinite loan
- Issuance of Securities
- Pledging of securities in favor of the Central Bank
- Stripping of Securities (fixed-rate ISIN for current and all interest periods, floating-rate ISIN for current interest period)



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Mapping of current operation types in T2S (3/9)

The operation types that will be discontinued are:

- Securities swaps
- Collateralised Loan
- Substitution of collateral
- Stripping of a floating-rate ISIN for all interest periods
- Pledging of securities between participants
- Margins of the forward leg in transactions on securities



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Mapping of current operation types in T2S (4/9)

Internal Transfer of Securities

T2S requires two instructions for all transactions. Based on this rule, for the transfer between two securities accounts, two FOPs, a Delivery and the relevant Receive instruction should be sent to T2S.

Following the above, BOGS' participants that are directly connected to T2Ss (DCPs) will have to send two instructions to T2S, while Indirectly Connected Participants (ICPs) may continue sending only one instruction to BOGS, since the generation of the second one will be done automatically by the system and the relevant XML will be sent to T2S.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Mapping of current operation types in T2S (5/9)

Operations with forward leg (Repo, Buy-Sell back, Loan with fixed maturity)

Currently BOGS receives only the first leg for these operations, enriched with the information of the second one and the latter is automatically generated by the system.

In T2S, BOGS participants should send both legs of the trade, i.e. two DvP/RvP instructions for Repos and Buy-Sell back, corresponding to the first and the second leg, while for the loan one FOP instruction for the first leg and a DvP for the second leg will be required.

The two instructions should comply with some additional rules, which are described in the following slide.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Mapping of current operation types in T2S

(6/9)

Operations with forward leg (Repo, Buy-Sell back, Loan with fixed maturity)

Rule 1:

Since it needs to be ensured that the second leg will never settle before the first one, the use of linkages in the instructions is required. More specifically, participants will have to make use of the indicator AFTE for the second leg.

Rule 2 (applied only to repos):

The use of a **Common Trade Reference** agreed between the counterparties that will be filled in the instructions, is required. The use of such field originates from the harmonization activities, with the purpose to minimize the possibility of cross matching.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ

t2s
TARGET2-SECURITIES

3. Mapping of current operation types in T2S (7/9)

Pledging/Releasing of Securities

The current process for pledging/releasing securities will be altered upon BOGS migration to T2S, as follows:

The participant will send an instruction to pledge/release securities (deliver/receive free) to both BOGS and BoG.

BOGS will forward its participant's instruction to T2S, while BoG, will proceed with the necessary steps in its system(s) and will generate the required for T2S Receive/Deliver free instruction, on behalf of the participant. The instructions will be matched and BoG will be directly informed by T2S for the settlement and proceed accordingly.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



3. Mapping of current operation types in T2S (8/9)

Additional Information

- Only **one pledge** security account will be required per participant
- Any movements on this pledge account will have to be approved by BoG, since an instruction from its side will also be required
- In the demobilization instruction, reference to the original pledging instruction is not required.
- The pledged balances will be mapped into the pledge securities account of each participant under a specific earmarked balance.



3. Mapping of current operation types in T2S (9/9)

Issuance of Securities

Based on the principle that two instructions are required by T2S for each transaction, the issuance of securities will have to be implemented via a RvP and a matching (from the issuer side) DvP instruction.

The process for the Issuance of the Government bonds will remain the same, i.e. BOGS will receive the relevant instructions directly from the HDAT platform

The process for the Treasury Bills will change, i.e. participants should send a RvP instruction, based on the relevant template, either to BOGS (ICPs) or to T2S (DCPs). BOGS will generate the required from the issuer's side DvP instruction.



4. Additional operations/Functionalities in T2S(1/5)

Maintenance Instructions

Participants will be able to use linkages in T2S, i.e. they will be able to link their instructions for settlement purposes. The possible values of the linkages are:

AFTE/BEFO/WITH/INFO

In addition, a pool reference can be used to identify a set of instructions that should be settled together. In such case **WITH** should be used along with a **pool reference**, which is repeated in all the connected instructions.



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



4. Additional operations/Functionalities in T2S(2/5)

Maintenance Instructions

Amendments:

T2S allows the amendment of specific fields of a settlement instruction that has not yet settled, i.e.

- Priority (possible values 3 or 4)
- Linkages
- Partial Settlement Indicator

It has to be noted that:

- Two separate instructions are required in the case where a linkage has to be modified, i.e. one for the removal of the existing link and one for the setup of the new one.
- An amendment instruction that refers to either linkages or partial settlement indicator is rejected by T2S, if it refers to a transaction that has already been partially settled.



4. Additional operations/Functionalities in T2S(3/5)

Maintenance Instructions

HOLD/RELEASE

A participant in T2S may hold or release its instructions either immediately or at any time during its lifecycle, until settlement or cancellation.

For immediate hold, participants may fill the field 'Hold indicator' for ISO20022 or make use of the 'PREA' code for ISO15022, while for setting 'on hold' an already sent instruction, sese.030 or MT530 can be used, respectively.

An instruction can also be automatically set 'on hold' by T2S, due to a restriction rule set by the CSD for the Conditional Settlement Delivery (CoSD) process or for specific purposes.

4. Additional operations/Functionalities in T2S(4/5)

Partial Settlement (1/2)

T2S supports by default partial settlement of eligible instructions that may take place during three windows, i.e. at the end of night time settlement and between 14.00-14.15 and 15.45-16.00 CET.

Instructions are eligible for partial settlement if they are:

- FOP or DVP pending instructions
- Not linked to any other instruction(s)

Thresholds are setup in T2S by the T2S Operator, in regard to the minimum settlement unit that can be settled in quantity and in cash value. These thresholds are also dependent on the instruction type, the underlying ISIN (Minimum Settlement Unit and Settlement Unit Multiple) and for cash value, on the currency of the settlement amount.

4. Additional operations/Functionalities in T2S(5/5)

Partial Settlement (2/2)

T2S actors that do not want their instructions to be subject to the partial settlement process should include in their messages the partial settlement indicator field with value 'NPAR'. In case this field is used only by one of the counterparties only, then the relevant transaction is not submitted to partial settlement.

BOGS will support partial settlement. However, in the absence of this field in the instructions sent to BOGS, the “NPAR” value will be used by default in the XML messages that will be generated by BOGS and forwarded to T2S. For this reason, ICPs wishing their instruction to be included in this process, should make sure that the partial settlement indicator is filled accordingly.



5. HDAT auction for the cover of short positions

The HDAT auction for the cover of short positions on demand will be preserved in T2S. However, the relevant cut-offs will have to be updated based on the T2S daily schedule. For this reason, considering that the T2S cut-off for DVP settlement is set at 16.00 CET (17.00 Greek time) the below internal cut-offs in Greek time will apply:

Request for an auction: 16.00-16.10

Start of the auction: 16.15

Completion of the auction: 16.30

It has to be noted that, the issue of the possible preservation of the forced auction for short positions resulting from HDAT trades has not yet been discussed by the relevant authorities, i.e. the Committee of the Primary Dealers Supervision and Control.

6. WEB GUI APPLICATION (2/3)

Settlement Instructions

- Acceptance
- Matched
- CSD Validation Hold
- CoSD Hold
- Party Hold
- CSD Hold
- Counterparty Hold
- Partially Settled
- Settled
- Cancelled
- Rejected



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ



6. WEB GUI APPLICATION (3/3)

Settlement Restrictions

- Acceptance
- Partially Settled
- Settled
- Cancelled
- Rejected

Maintenance Instructions (Cancellation, Hold/Release, Amendments):

- Acceptance
- Rejected
- Executed
- Denied

7. Miscellaneous

In the CSDR, it is foreseen that all the markets should align with the T+2 settlement cycle. Although a final decision for the implementation of the CSDR has not been taken yet, a lot of markets have announced that they plan to migrate to the T+2 settlement cycle in regards to their trades at **6 October 2014**.

H DAT, the Greek regulated market for trading Government Securities (GGBs), announced recently its plan to implement the T+2 in its systems, starting from the above mentioned date.

BOGS agrees with this decision.

Following the above, we would like to inform you that our a market for the GGBs will migrate to the T+2 settlement cycle at **6 October 2014**.



QUESTIONS



ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
ΕΥΡΩΣΥΣΤΗΜΑ

ts
TARGET2-SECURITIES