

A modern office interior with large windows and people working at a table. The scene is brightly lit with natural light from the windows. Several people are seated around a long table, engaged in work. A man in a blue suit is in the foreground, looking towards the right. A woman is standing behind him, and another man is seated further down the table. The office has a clean, professional look with a dark ceiling and light-colored walls.

COMITÉ CONSULTIVO GERAL GENERAL ADVISORY COMMITTEE



INTERBOLSA

A EURONEXT COMPANY

November 28, 2019

- 1 Workshop - Strategy and Market Trends
- 2 Industry Developments
- 3 CSDR - Settlement Discipline
- 4 TARGET2-Securities - Releases
- 5 CSD Links - Status update
- 6 Business Continuity Plan
- 7 Harmonisation - Status update
- 8 Follow-up of Interbolsa's Activity
- 9 Other topics of interest

1. WORKSHOP - STRATEGY AND MARKET TRENDS



2. INDUSTRY DEVELOPMENTS

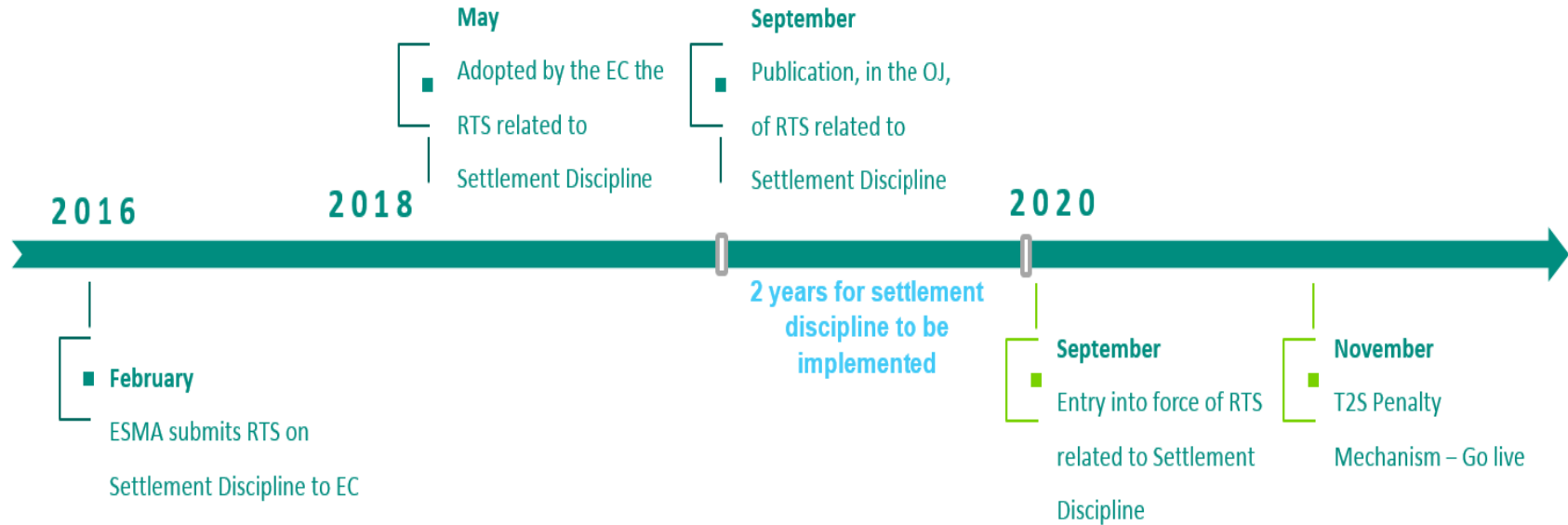


3. CSDR - SETTLEMENT DISCIPLINE



TIMELINE

Regulatory Technical Standards / T2S Penalty Mechanism



SETTLEMENT DISCIPLINE REQUIREMENTS & IMPACTS (1/2)

Requirements	RTS reference	Impacts
Monitoring settlement fails	Article 13	Interbolsa will establish a system that enables it to monitor the number and value of settlement fails for every intended settlement date, including the length of each settlement fail expressed in business days
Monthly & yearly reporting of settlement fails	Articles 14 and 15	Interbolsa will have to report settlement fails, on a monthly and yearly basis, to CMVM
Measures to prevent fails	Articles 5 to 11	Interbolsa already provides to its participants: matching, tolerance levels, cancellation facility, partial settlement, hold and release, recycling

SETTLEMENT DISCIPLINE REQUIREMENTS & IMPACTS (2/2)

Requirements	RTS reference	Impacts
Measures to address fails		
Cash penalties	Articles 16-19	CSDs will calculate, report, collect and redistribute cash penalties to/from their participants
Mandatory buy-in	Articles 21-38	Buy-in will become mandatory for transactions which fail to settle within the “extension period”, with few exceptions
Suspension of a participant	Article 39	Systematically failing participants can be suspended by the CSD

CASH PENALTIES

ECSDA PENALTIES FRAMEWORK

Published in ECSDA Website in November 2019 - <https://ecsd.eu/archives/12587>

To whom the ECSDA Framework will apply?

Objective:

Harmonisation of rules and procedures. Focuses on the penalties related questions of the settlement discipline regime of the CSDR

Principles to be applied by all EU CSDs:

- ✓ Provision of a cash penalty mechanism
- ✓ Cash Penalties:
 - Daily calculated, after intended settlement date (ISD) until the actual settlement or cancellation
 - Apply to: matched settlement instruction (free or against payment) that fails to settle after its ISD, including hold instructions and late matching fails

Daily information to Participants

Collection before redistribution

Special situation of the CCPs

Penalties not a revenue source for the CSD

Redistribution of the penalties collected to the participant that suffered from the fail at least on a monthly basis

4. TARGET2-SECURITIES - RELEASES



LAST T2S RELEASES

Since last *Operational Advisory Committee*, on 2019/06/26, the following releases were implemented:

- **R 3.1** - 2019/09/21 - resolution of 21 Problems (PBIs)
- **R 3.2** - 2019/11/18 - implementation of 6 Change Requests (CRs) and resolution of 9 PBIs (plus 23 release defects fixes)
 - ✓ **T2S-0606-SYS** - T2S should maintain and report information related to 'Place of Trade' and 'Place of Clearing' of a settlement instruction consistently across T2S messages
 - ✓ **T2S-0609-SYS** - T2S must be able to report settlement status '**Failing**' for settlement instructions for which settlement at the Intended Settlement Date (ISD) is no longer possible
 - ✓ **T2S-0613-SYS** - T2S should give the possibility to receive outbound T2S messages bundled in files
 - ✓ **T2S-0614-SYS** - Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported
 - ✓ **T2S-0653-SYS** - Partial release functionality
 - ✓ **T2S-0694-SYS** - Extension of the 08:00 and 15:45 partial settlement windows → activation in Production on 2019/12/09

NEXT T2S RELEASES

Release	# CRs	# PBIs	First deployment in EAC	Deployment in UTEST	Deployment in Production
3.3	-	20+...	2019/12/13	2020/01/17	2020/02/15
4.0	6	22+...	2020/02/07	2020/04/03	2020/06/13
4.1	-	-	Cancelled		
4.2	6+4	...	2020/07/17	2020/09/25	2020/11/21
4.3	1 (tbc)	...	...	2021/01/22	2021/02/20
5.0	8+...	...	...	2021/04/09	2021/06/12
5.1	-	...	...	2021/08/06	2021/09/18
5.2	5+...	...	...	2021/09/24	2021/11/20
...					
6.2	Nov/2022 - Eurosystem Collateral Management System (ECMS)				

T2S RELEASE 4.0

T2S-0671-SYS - *Reporting of Beneficial Ownership indicator in allegements, status messages and settlement confirmations*

- ✓ Impacted messages: sese.024/025/028; semt.017/019

T2S-0677-SYS - *During partial settlement windows, recycling should only be triggered after an optimization attempt*

- ✓ The recycling process should wait for the optimization result (where technical netting attempts to build a bundled optimized set of transactions)

T2S-0658-SYS - *T2S should allow and process already matched instructions with deviating settlement parameters on DELI and RECE legs*

- ✓ ISO Transaction Code; Party Hold Indicator; Modification/Cancellation Allowed

T2S-0668-SYS - *Provide T2S reference of the linked instruction preventing settlement*

- ✓ Information will be available in U2A mode (T2S GUI)

T2S-0689-SYS - *New process to maximize settlement of transactions at DVP cut-off*

- ✓ Currently, as T2S reaches the end of the settlement processing of the DVP cut-off, recycling mechanisms are stopped even if current resources could have allowed further settlement

T2S-0719-SYS - *Common Reference Data Management for T2-T2S Consolidation - Modified Objects*

T2S RELEASE 4.2

T2S-0654-URD - *T2S Penalty Mechanism*

- ✓ New **semt.044** message with daily and monthly Information about Penalties calculations
- ✓ Other impacted messages: **admi.005**; **camt.077**

T2S-0715-URD - *Optimizations to the T2S Penalty Mechanism's user requirements*

- ✓ Extend the appeal processing period by one day
- ✓ Do not report "Not computed" cash penalties for financial instruments that are not in scope of cash penalties

T2S-0718-SYS - *Daily provision of Euro Foreign Exchange Rates for the penalty mechanism*

T2S-0684-SYS - *Handling for outbound messages with amount exceeding 14 digits*

- ✓ T2S operates in coexistence between ISO 15022 and ISO 20022 → T2S shall populate all amount fields within T2S outbound messages with '99999999999999' in case 14 digits are exceeded

T2S-0695-SYS - *Trade date to become mandatory within a settlement instruction*

- ✓ Impacted message: **sese.023** (message schema changed to enforce mandatory field)

T2S-0713-SYS - *Alignment of T2S Messages with ISO Maintenance Release 2018 - 2019*

- ✓ Impacted messages: #=60 (10 **sese**; 15 **semt**; 10 **reda**; 20 **camt**; 3 **admi**; 2 **head**)

Plus 4 CRs related to T2-T2S Consolidation → next slide

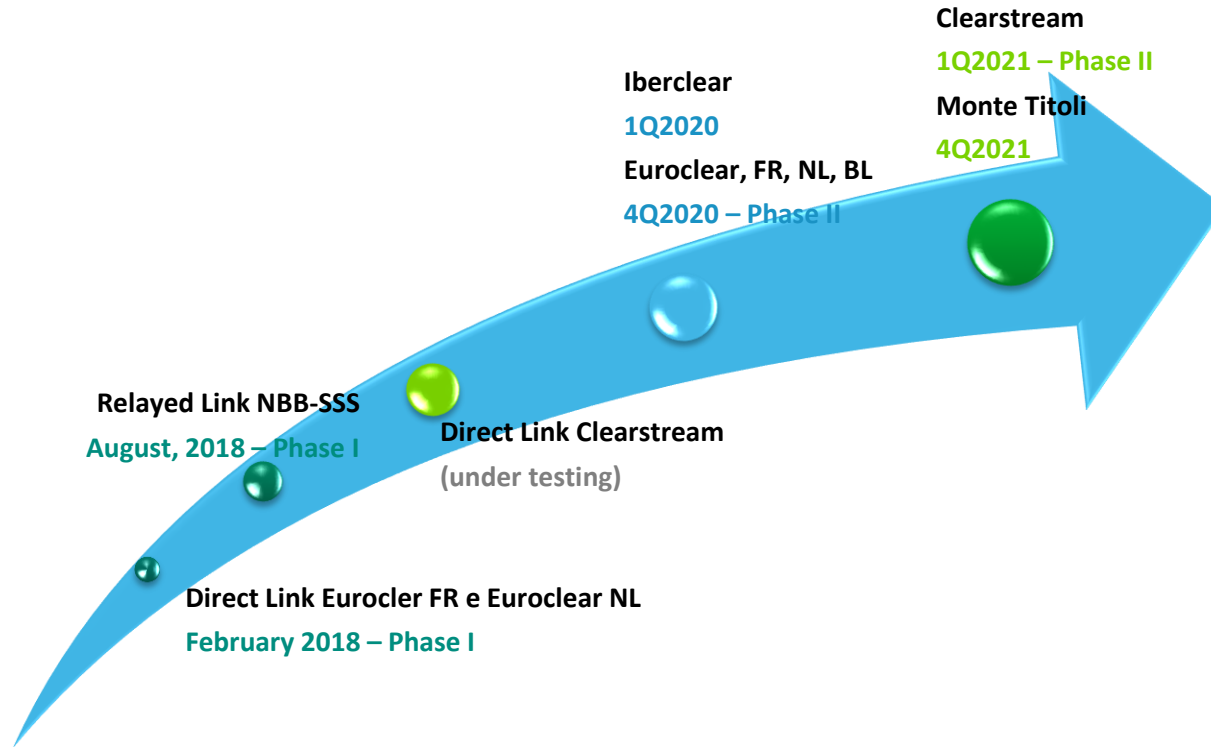
T2-T2S CONSOLIDATION

Release 4.0 Jun 2020	Release 4.2 Nov 2020	Release 5.0 Jun 2021	Release 5.2 Nov 2021	Release 6.0 Jun 2022
CR-719 Common Reference Data Management - Modified Objects	CR-702 Internal communication within the consolidated platform	CR-704 Common Reference Data Management	CSLD go - live Migration RTGS accounts → CLM accounts	CR-699 Data Warehouse functionalities (historical data)
	CR-703 - camt.050 exchanged between T2S and Central Liquidity Management (CLM)	CR-697 Billing common component development		CR-701 Eurosystem Single Market Infrastructure Gateway (ESMIG) impact on T2S
	CR-698 Business Day Management Development	CR-700 Legal Archiving common component for T2S		CR-705 Common Reference Data Management
	CR-721 Common Reference Data Management - Reused Objects	CR-708 Allow Liquidity Transfers from a T2S DCA to a RTGS or TIPS DCA		CR-706 Billing common component - T2S Migration
		CR-709 Make the mandatory automated cash sweep at 17:45 optional		CR-707 Business Day Management - T2S Migration
		CR-710 Daily maintenance window only for urgent changes and shift of the schedule time		

5. CSD LINKS - STATUS UPDATE



INVESTOR CSD LINKS - ROADMAP



6. BUSINESS CONTINUITY PLAN



BUSINESS CONTINUITY PLAN - TESTS OBJECTIVES

- ✓ Ensure that Interbolsa systems are activated through its alternative Center
- ✓ Verify data availability and integrity
- ✓ Verify connectivity to the alternative center, allowing queries and data entry from the secondary center
- ✓ RTO= 2 hours
- ✓ RPO=0
- ✓ Ensure that the procedures provided in the plan are executed and verified
- ✓ Validate the recovery strategy
- ✓ Get useful information for reviewing, updating, and improving Interbolsa's Business Continuity Plan
- ✓ Train the different recovery teams

BUSINESS CONTINUITY PLAN - TESTS

- **Tests are performed in T2S environment:**
 - ✓ Test performed in production
 - ✓ SWIFT communications
 - ✓ T2S is available two days a year
 - ✓ Test taken on a non-working day - Saturday

- **2019 Calendar:**
 - ✓ May 11 - Disaster Recovery internal test with connection to T2S and SWIFT
 - ✓ October 26 - Business Continuity Plan internal test without connection to T2S and SWIFT
 - ✓ November 9 - Disaster Recovery external test with T2S and SWIFT connection

BUSINESS CONTINUITY PLAN - INTERNAL TESTS RESULTS

- The 2 Internal tests were performed according to schedule
- The remote activation procedures of the alternative center and applications were carried out as planned
- Interbolsa's recovery strategy was validated and verified:
 - ✓ Crisis Management
 - ✓ Good communication between different teams
 - ✓ Good connectivity to the alternative center
 - ✓ Access to systems and applications
 - ✓ Data availability and integrity
- The RPO and RTO defined in the plan were met
- The final results of the tests were positive

BUSINESS CONTINUITY PLAN - EXTERNAL TESTS RESULT

- The test conducted on November 9 ran according to the plan
- The remote activation procedures of the alternative center and applications were carried out as planned
- Interbolsa's recovery strategy was validated, namely:
 - ✓ good connectivity to the alternative center
 - ✓ access by internal teams and participants to systems and applications
 - ✓ data availability and integrity

5 Financial Intermediaries and Banco de Portugal participated in the external test

525 - Caixa Banco de Investimento, S.A.

528 - Citibank Europe, PLC

533 - Millennium BCP, S.A.

535 - Caixa Geral de Depósitos, S.A.

801 - BNP Paribas Securities Services

7. HARMONIZATION - STATUS UPDATE



E-MIG CONCLUSIONS (1/2)

Overall disappointing progress in terms of CA market standards compliance

Out of 33 markets:

- ✓ Five market progress reports have not been received in time (Czech Republic, ID2S France, Malta, NCDPC Slovakia, UK & Ireland)
- ✓ Half of the markets made no progress at all and a number of them delayed their implementation plan versus last year
- ✓ One market (Croatia) developed a concrete action plan to close remaining gaps
- ✓ Five markets (Bulgaria, Finland, France, Norway and Poland) made good progress versus last year
- ✓ Four markets (Netherlands, Belgium (NBB), Greece (BOGS), Slovenia) are fully compliant

In order to re-create little momentum, following avenues will be explored:

1. Leveraging SRD II industry group, propose to contact European Commission and share market progress reports in view of CMU
2. Make the link between CA market standards and SRD II compliance more explicit so as to raise focus (which goes mainly to shareholder identification and general meetings today)
3. Intensify monitoring of market compliance and follow up on remaining gaps thanks to a better defined and more active role played by market sponsors
4. Organize E-MIG more frequently, i.e. twice a year
5. Simplify market progress report (consolidate standards, perform impact assessment) so that total compliance rate better reflects actual compliance status

E-MIG CONCLUSIONS (2/2)

Overall, feedback on the first combined E-MIG/ CASG meeting was positive and there was general consensus to aim for more synergies next year.

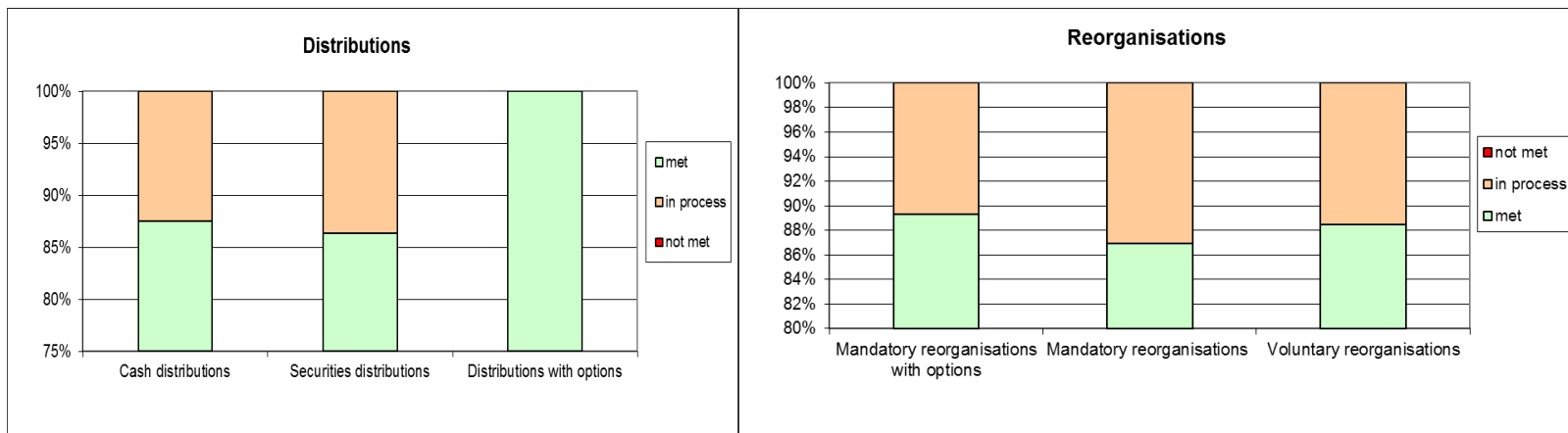
Positives noted:

- 1) one mail per market to collect market progress report for both
- 2) two days E-MIG/ CASG reduced travel requirements
- 3) strengthened communication between E-MIG and CASG members
- 4) easier to obtain full picture by market and related to interdependencies between E-MIG and CASG standards

Areas for improvements identified:

- 1) still separate spreadsheets for E-MIG and CASG standards and far too many standards to report on: it is the right time to merge the two, simplify them and make sure percentage really reflects market compliance ratio
- 2) next step is to move to one discussion by market combining E-MIG and CASG report (and SRD II, GOR and CMH-CA standards going forward), which also requires same color coding and same market sponsor for both (not from own market) so market sponsor has complete market view and can play a more active role towards market (precise role to be defined)

MARKET STANDARDS CORPORATE ACTIONS PROCESSING - 2019 REPORT

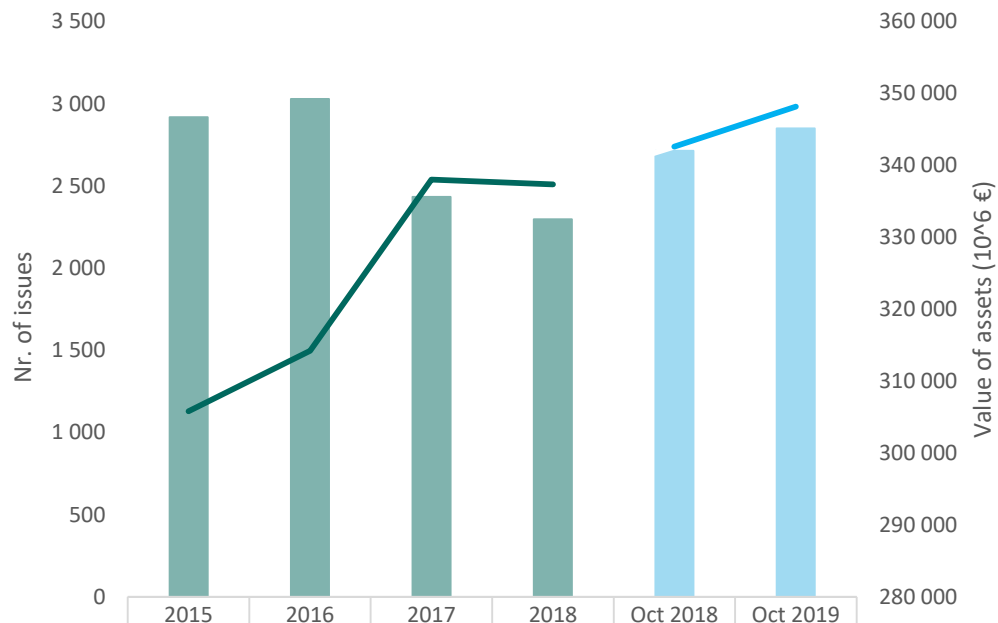


Description remaining gaps	Target implementation date
Reversal of payment	End 2020
Information communicated with Issuers not compliant with the standards	September 2020

8. FOLLOW-UP OF INTERBOLSA'S ACTIVITY



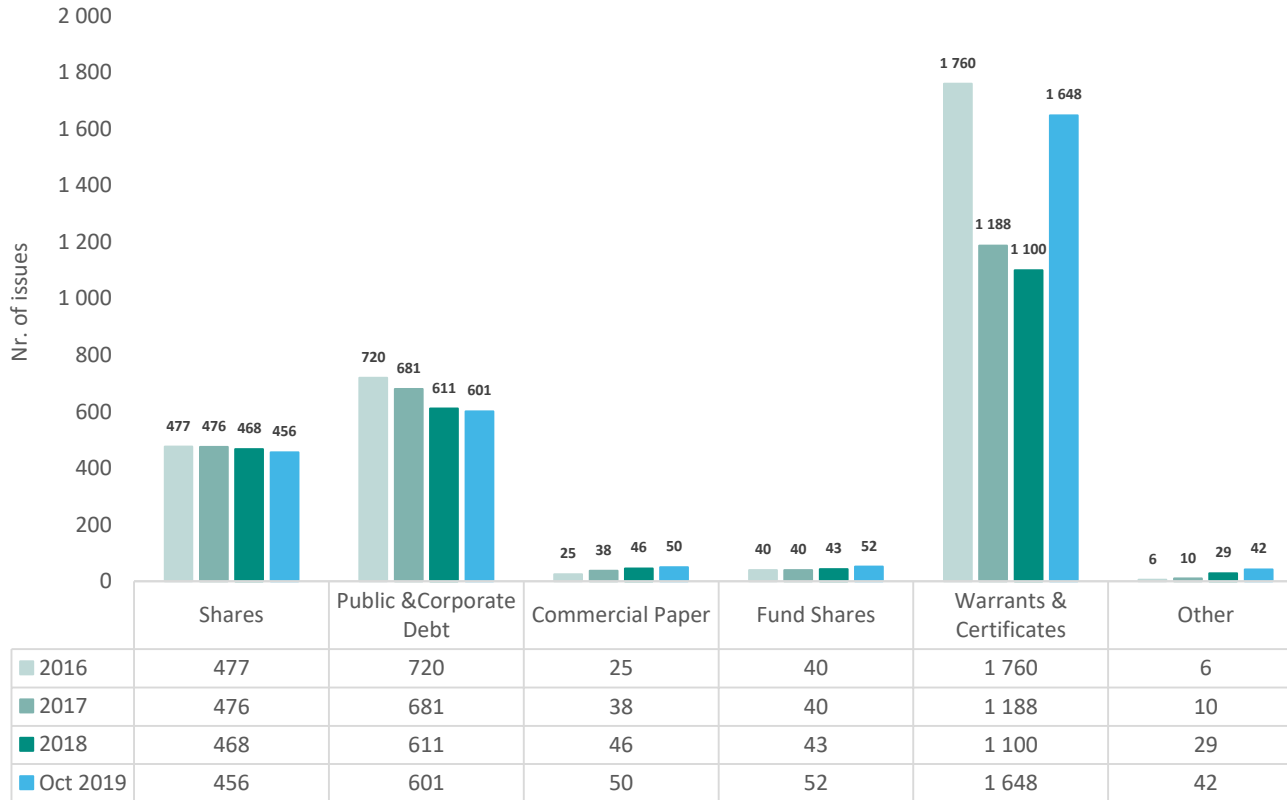
ASSETS UNDER CUSTODY



The number of issues increased from 2,714 in Oct 2018 to 2,849 issues in Oct 2019

The amount under custody increased 1.6%, from 343 bi€ in October 2018 to 348 bi€ in October 2019

ASSETS UNDER CUSTODY - BY SECURITIES TYPE



Equities decreased from 468 to 456 in Oct 2019

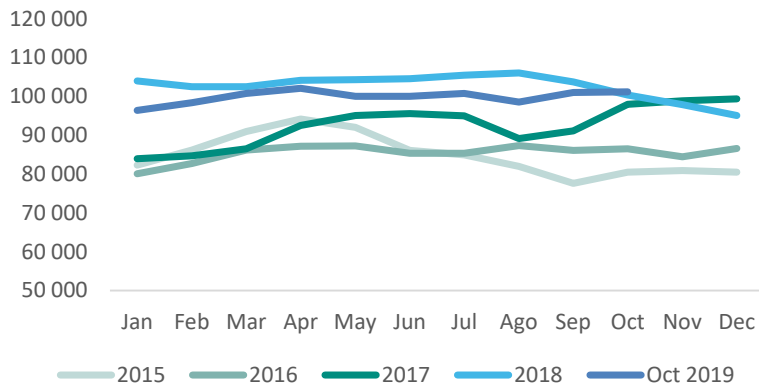
Public and Corporate Debt decreased from 611 to 601 in Oct 2019

Commercial paper and Funds increased from 46 to 50 and from 43 to 52, respectively

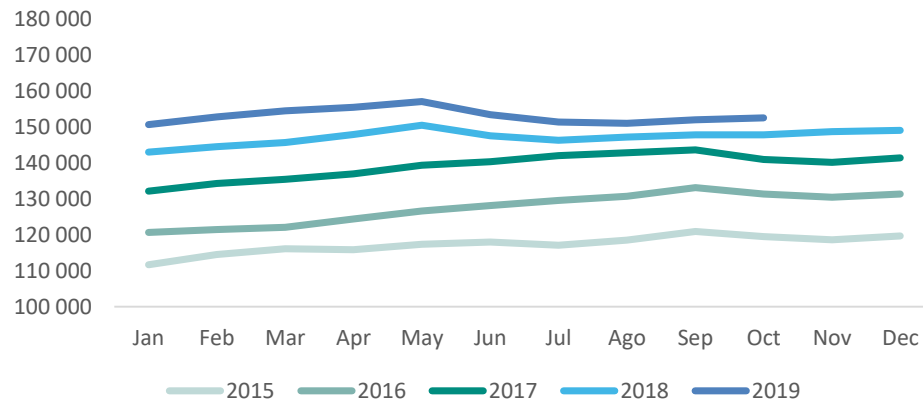
Warrants increased from 1,100 to 1,648 in Oct 2019

ASSETS UNDER CUSTODY - AVERAGE AMOUNT

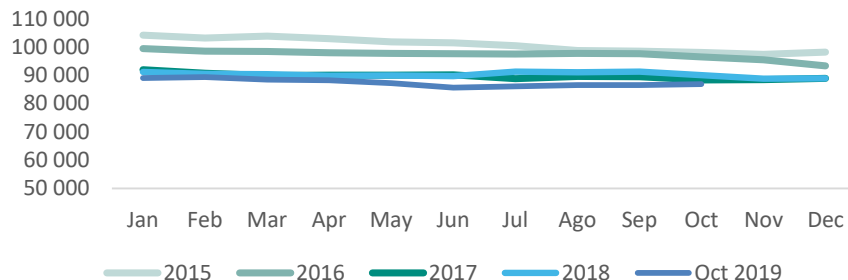
Shares & Fund Shares



Public Debt



Corporate Debt



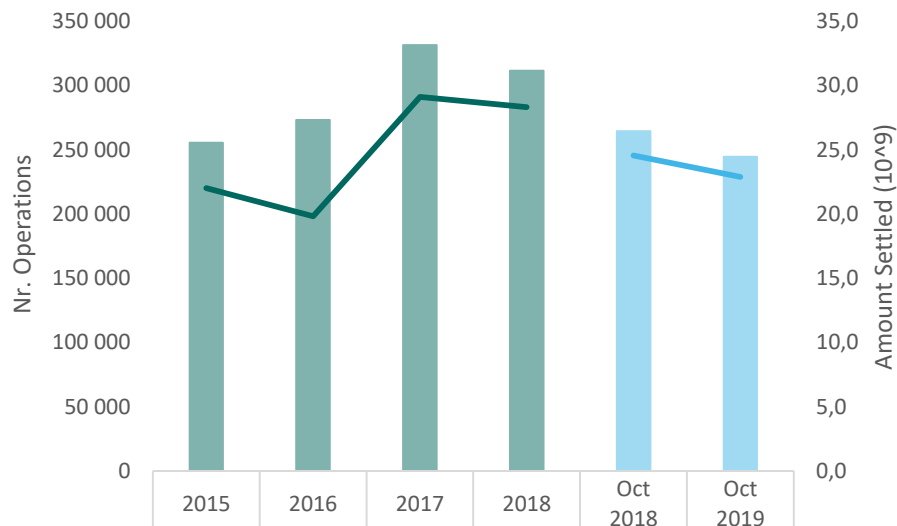
The average amount of **equities** 2019 up by 0,8% from €100,3bi in Oct 2018 to €101,1 bi in Oct

The average amount of **corporate debt** down by 3,5% from €90,1bi in Oct 2018 to €86,9 bi in Oct 2019

Compared with Oct 2018, the average amount of **public debt** increased 3,2% from €147,8 bi to €152,5bi at the end of Oct 2019

SETTLED OPERATIONS

GUARANTEED AND NON GUARANTEED INSTRUCTIONS, CARRIED OUT IN A REGULATED MARKET AND IN A MULTILATERAL TRADING FACILITY

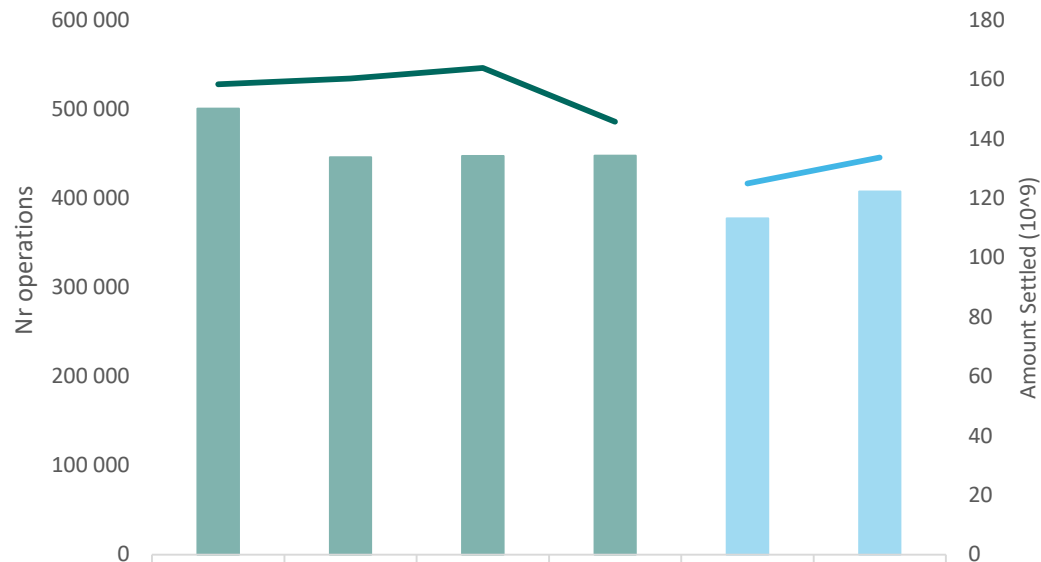


The number of market operations decreased 7,5% from 264.537 in Oct 2018 to 244.714 in Oct 2019

The amount settled decreased 6,8%

SETTLED OPERATIONS

OTHER OPERATIONS - DVP



The number of OTC operations increased 8,0% from 377.278 in Oct 2018 to 407.437 in Oct 2019

The amount settled increased 6,9%

REVENUES - YTD OCT 2019 VS OCT 2018

	Oct 2019	Oct 2018	Var.	Var%
Usage of the systems & accounts	689.870	666.750	23.120	3,5%
Settlement and account movements	1.362.932	1.222.045	140.887	11,5%
Securities maintenance	9.895.838	9.909.826	-13.988	-0,1%
Maintenance securities in physical form	137.247	134.531	2.715	2,0%
SWIFT communication	127.386	129.956	-2.570	-2,0%
T2S information reports	75.025	78.830	-3.805	-4,8%
Private communication network	126.462	125.188	1.274	1,0%
Other services	28.671	21.871	6.800	31,1%
Financial Intermediaries	12.443.432	12.288.998	154.434	1,3%
Issue maintenance	4.613.825	4.624.232	-10.406	-0,2%
Corporate events	502.640	659.205	-156.565	-23,8%
Registration & cancelation of issues	387.965	266.110	121.855	45,8%
Other services	78.729	92.192	-13.462	-14,6%
Issuers Entities	5.583.160	5.641.738	-58.579	-1,0%
Other services	120.212	195.418	-75.207	-38,5%
Total Revenues	18.146.803	18.126.155	20.649	0,1%

Interbolsa revenues are stable

Usage of systems & accounts increased 3,5%

Settlement & account movements up 11,5% explained by settlement fees increase due to the changes of T2S price list in Jan 2019

Securities maintenance and issue maintenance decreased 0,1% and 0,2%, respectively.

Registration and cancelation of issues increased 45,8%

The corporate events decreased 23,8% explained by the reduction of the redemptions (-54%) compared with Oct 2018

COSTS - YTD OCT 2019 VS OCT 2018

	Oct 2019	Oct 2018	Var.	Var%
Salaries and employees benefits	2.399.367	3.444.202	-1.044.835	-30,3%
Systems & Communications	614.088	656.784	-42.696	-6,5%
Professional Services	1.491.129	1.106.434	384.695	34,8%
Equipment & Accommodation	142.299	233.106	-90.808	-39,0%
Provision & adjustments	13.742	9.483	4.259	44,9%
CMVM - Regulator fees	635.664	630.468	5.197	0,8%
Other expenses	198.466	184.503	13.963	7,6%
Costs	5.494.754	6.264.980	-770.226	-12,3%
Depreciation and amortizations	453.762	690.065	-236.303	-34,2%
Operational Costs	5.948.516	6.955.045	-1.006.529	-14,5%

Interbolsa operational cost down 14,5% due to staff cost decrease and adoption of IFRS

Professional Services increased 34,8% mainly explained by the increase of T2S price list

Equipments&Accommodation decreased due to the implementation of IFRS 16 in Jan 2019

Depreciations&Amortization decreased due to the end of life of software development and due to the implementation of IFRS 16 in Jan 2019

9. OTHER TOPICS OF INTEREST



Questions





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