
Market Notice

27 January 2017
MN_13/2017

Migration Weekend to Target 2 Securities Wave 4

Attention: DCPs, ICPs
Priority: HIGH
Topic: T2S Wave 4 Migration Weekend

Dear Client,

Further to the resolution issued by the *T2S Market Infrastructure Board*¹ on the readiness of the Eurosystem, and the positive results of testing, we wish to announce that during the weekend of 3 to 6 February 2017, a **Target 2 Securities Migration Weekend for Wave 4** will be held for the following CSDs:

- Clearstream Banking (Germany)
- OeKB CSD (Austria)
- LuxCSD (Luxembourg)
- Centrálny depozitár cenných papierov SR (CDCP) (Slovakia)
- KDD - Centralna klirinško depotna družba (Slovenia)
- KELER (Hungary)

¹ The T2S Market Infrastructure Board confirms the readiness of the Eurosystem to undertake the migration weekend for wave 4 CSDs and Central Banks on 3 February 2017 as well as the technical readiness of the T2S production environment to process wave 4 settlement volumes according to the schedule of the T2S settlement day. In this context, the internal Eurosystem migration tests on 13/14 January 2017 verified that the critical migration components will function as required during the migration weekend. Furthermore, the T2S Market Infrastructure Board has established the necessary control mechanisms and decision points to ensure the successful execution of the wave 4 migration, as agreed with the migrating CSDs and migrating Central Banks. It has also verified procedures to enable a rollback of the migration in contingency situations. In order to ensure the technical readiness of the T2S platform and the significant volumes that migration wave 4 will bring to T2S, the Eurosystem has upgraded the technical capacity of the production infrastructure on 31 December 2016 and deployed changes on 7 January 2017 in the production environment to optimise critical start-of-day and end-of-day processing.



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While confirming that Monti Titoli Clients (DCPs and ICPs) are not required to perform any activities, the following table, produced by the T2S Migration Sub-Group, sets out the schedule for the main migration activities.

Note that although the logical procedural sequence of activities must be understood as definitive, the timing could be subject to change as result of the performance of migration activities and any decisions that may be taken by the Eurosystem.

N.	DESCRIPTION OF ACTIVITY	DATE	START TIME	END TIME
1	[MSP 0]: green light for start-up of the migration weekend to T2S Wave 4	03/02/2017	06:55 pm	06:55 pm
2	Blocking of users and DCP outgoing messages	03/02/2017	07:10 pm	09:15 pm
3	Closure of the Monte Titoli systems to Participants and deactivation of the relevant reports	03/02/2017	07:40 pm	07:45 pm
4	Change of the accounting date	03/02/2017	09:25 pm	09:35 pm
5	[MSP 1]: green light for the start of activities to be performed during the weekend migration to T2S	03/02/2017	10:16 pm	10:16 pm
6	First night time settlement cycle	04/02/2017	07:43 pm	11:45 pm
7	[MSP 12]: confirmation of the correct execution of the first night time settlement cycle	04/02/2017	11:45 pm	11:45 pm
8	[MSP 13]: Point of no return for the Go-live of the fourth migration wave	04/02/2017	11:55 pm	11:55 pm
9	Unblocking of users and DCP outgoing messages	05/02/2017	01:55 am	03:10 am
10	Opening of the Monte Titoli systems to Participants	05/02/2017	02:30 am	03:00 am
11	Sending of the scheduled report to Monte Titoli Participants	05/02/2017	07:40 am	08:20 am
12	[MSP 14]: Final confirmation of the correct execution	05/02/2017	09:29 am	09:29 am

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N.	DESCRIPTION OF ACTIVITY	DATE	START TIME	END TIME
	of the night time settlement cycle			
13	[MSP 15]: Green light for Real Time Settlement	05/02/2017	09:39 am	09:39 am
14	Effective closing of services for Monte Titoli Participants	05/02/2017	10:00 am	11:00 am
15	[MSP 15.1]: Green light for the start of the maintenance window	05/02/2017	07:00 pm	07:00 pm
16	Opening of services for Monte Titoli Participants	06/02/2017	07:00 am	07:10 am

The T2S platform and Monte Titoli services are scheduled to reopen at the usual time on Monday, 6 February 2017.

1.0 PENDING INSTRUCTIONS DURING THE MIGRATION WEEKEND TO T2S

- **External cross-border settlement instructions** that are pending at the end of the business day on Friday, 3 February 2017 (EoD) will be cancelled by Monte Titoli. The instructions may be reissued by participants (with ISD≥06/02/2017) as of Monday 6 February 2017, by the operating methods indicated in the following links [OeKB](#); [Clearstream Banking Frankfurt](#) .

Note that CBF recommends² that its Clients cancel pending cross-border instructions by and not later than 03:30 pm hours on Friday 03/02/2017. After this deadline, CBF will cancel all pending cross-border instructions.

² For further information, see the document entitled “CBF Migration T2S Wave4” on the CBF website.

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In this respect, in order to avoid interfering with migration activities, Clients should **avoid to insert cross-border transactions** after 03:30 pm hours on Friday 03/02/2017.

2.0 CORPORATE ACTIONS ON FLOWS WITH CBF AND OeKB MARKETS³

Following the harmonisation of CAoFs, Monte Titoli developed its own applications according to the operating methods of the T2S platform but, pending such harmonisation by the German and Austrian market, will adopt the alternative operating methods indicated below for the cross-CSD OTC instructions concerned, while maintaining the Market Chain and Transformation procedures adopted prior to T2S.

2.1 CBF

The German market only manages Market Claims concerning settlement instructions given on the Bund and originating from 'on exchange' platforms in T2S. According to the relevant standards, it does not process its own leg of CLAI and TRAN in T2S. In order to avoid matching problems with its German counterparty, Monte Titoli will administratively cancel Market Claims and Transformations that are automatically created by its own system, providing the relevant notifications to the Clients concerned by email to the operating contacts provided for settlement. Cancelled instructions can be viewed through the usual operating systems.

2.2 OeKB

OeKB manages the CAoFs in T2S without regard to the possible presence of an "OPT OUT" and/or "CUM/EX" indicator. Therefore in cases in which Monte Titoli creates the instructions and OeKB does not do the same, in order to avoid the risk of matching by the Austrian counterparty, the Market Claim

³ Among the CSDs that are migrating to T2S in Wave 4, Monte Titoli maintains a link with CBF and OKB.

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and Transformation instructions generated must be administratively cancelled, providing the relevant notifications to the Clients concerned by email to the operating contacts provided for settlement. Cancelled instructions can be viewed through the usual operating systems.

3.0 UPDATE DURING THE MIGRATION WEEKEND

In order to provide prompt and ongoing update on the performance of activities for T2S migration, Monte Titoli will update its Clients by the following methods:

- *Written communication by email* which will be sent upon reaching the main migration activities indicated above, using the mailing list provided for technical communications by Monte Titoli (from: PTTS-SOMT).

If necessary, additional emails will be sent to confirm the status of activities and notify any deviations from the official schedule.

- Regular alignment *conference calls* which will be held according to the following schedule:

DAY	TIME (CET)
Monday, 30 January 2017	11:00 am - 11:30 am
Friday, 3 February 2017	04.30 pm - 05.00 pm
Monday, 6 February 2017	11:00 am – 11:30 am

Monte Titoli reserves the option to organise additional conference calls in the event that specific requirements or critical situations emerge. Conference call invitation will be sent by email using the usual mailing list (PTTS-SOMT).

The relevant telephone connection details are set out below:

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- Italy: 0200661768
- Germany: 030221514255
- Netherlands: 0207946388
- UK: 08443387415
- France: 0170375500
- For other countries, click [here](#)

Conference code: 6395797472

4.0 POTENTIAL ANOMALOUS SITUATIONS

The following three possible scenarios have been identified in order to optimise management of the migration, including in the event of unforeseen situations. Further scenarios, which currently cannot be foreseen, will necessarily be managed as required.

4.1 SCENARIO 1: POINT OF NO RETURN CONFIRMED BUT THE OPENING OF T2S IS DELAYED

The point of no return is confirmed by the final deadline (5:00 am on 05/02/2017) as provided in the agreed planning, but the subsequent T2S activities are significantly delayed, thereby postponing the opening of the platform on Monday 06/02/2017 and the start-up of the standard T2S operating day.

In this situation Monte Titoli will confirm the opening of XTRM, Custody and Asset Services and, according to the scheduled morning processing and the operations involved, has assessed the impact on processes and participants (see the following diagram).

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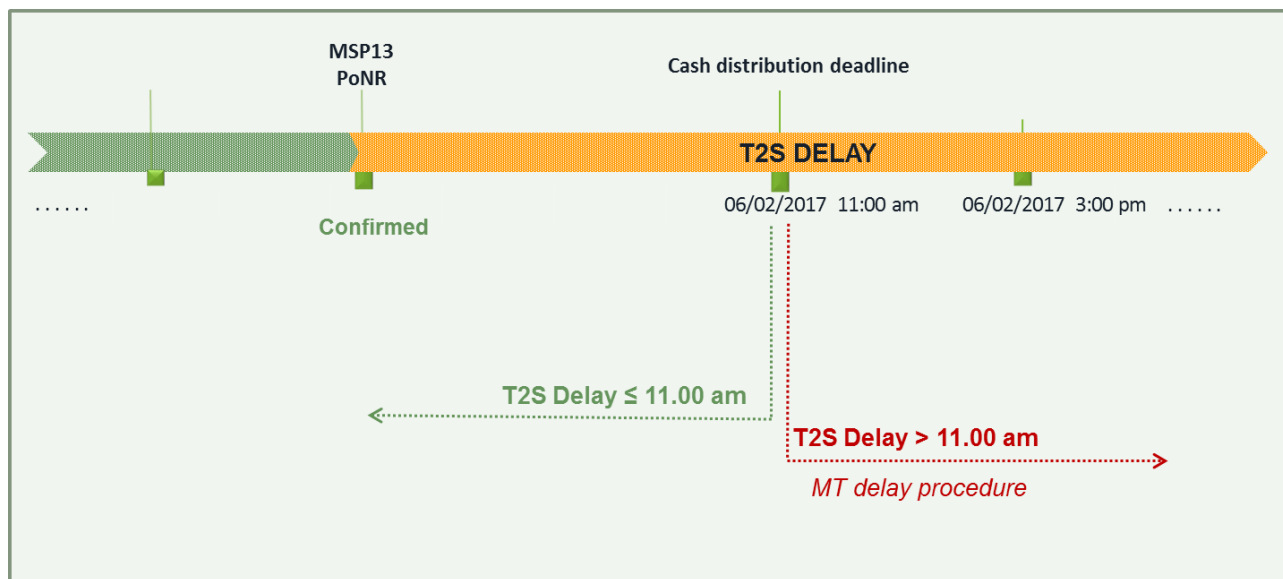


Figure 1

In the event of T2S opening by 11:00 am on 06/02/2017, no particular problems are currently envisaged, assuming that each settlement instruction sent by participants in T2S through Monte Titoli (e.g. XB settlement, issuance, mark up, mark down, coupon stripping, etc.) is queued on the platform and processed when the platform opens.

In this case therefore, it is recommended that participants (DCPs, ICPs, Issuers and their account operators) refrain from sending messages/instructions to Monte Titoli until they are informed that the T2S platform is operating correctly.

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If T2S opens after 11:00 am on 06/02/2017, in addition to the queuing in T2S and the above recommendation, the impact of scheduled cash distributions⁴ (Italian and foreign) on settlement should be assessed. The following consequences have been identified to this end:

1. Domestic payments in Target2 (operations in which both the payer and the beneficiary intermediaries have chosen T2 as the cash settlement system) are duly made in the ordinary timeframe, given that Target 2 has opened as scheduled
2. Domestic payments that involve T2S consisting of:
 - “Mixed” domestic payments (operations in which the payer settles in T2 and at least one of the beneficiary intermediaries settles in T2S, or vice versa)
 - Domestic payments in T2S (operations in which both the payer and all beneficiary intermediaries have chosen T2S as the settlement system)

are automatically postponed on the initiative of Monte Titoli, using the usual payments delay procedure which provides appropriate reporting for all participants concerned.

All payments are resubmitted within the daily contingency window (settlement by 03:00 am on 6 February 2017), subject to the reopening of T2S.

In the event that the opening of the T2S platform is delayed beyond 02:00 pm, Monte Titoli will once again send the delay messages and the operation will be resubmitted on the following day (and subsequent business days) as provided in the standard procedure for settlement of cash distributions.

- Foreign payments (for securities managed as investor CSD)

are automatically postponed on the initiative of Monte Titoli, using the usual payments delay procedure which provides appropriate reporting for all participants concerned, and will be processed

⁴ A complete list of operations scheduled for the business day of 6 February 2017 and their breakdown into types of settlement will be published by 3 February 2017 in the in the folder relating to the W4 migration to T2S in documents section of the MT-X platform.

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subject to the reopening of the T2S platform and the correct receipt of the funds from the markets of reference.

4.2 SCENARIO 2: POINT OF NO RETURN NOT CONFIRMED - ROLL-BACK

Point of no return not confirmed by 05:00 am on Sunday 05/02/2017.

Although there are various CSDs involved in the W4 migration, a necessary and sufficient condition for announcement of a scenario of W4 roll-back is failure by CBF (and consequently by LuxCSD) to confirm of the “Point of Non Return to T2S” [MSP13].

In this case the ECB will activate the roll-back procedure (figure 2) to reset the situation to the EoD on Friday 3 February.

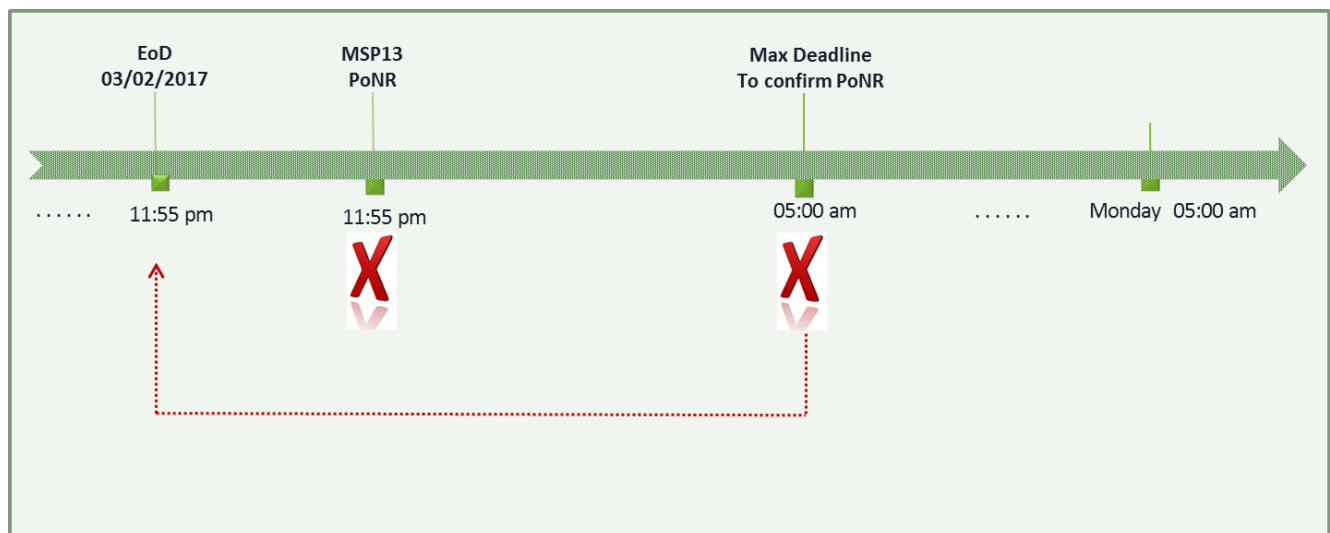


Figure 2

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In the event of roll-back, Monte Titoli's legacy systems will be reset to Friday 03/02/2017 (EoD). This implies that:

- Monte Titoli systems and services will open as usual on Monday 06/02/2017 and will indicate the static data situation existing at the end of the business day on Friday 03/02/2017.
- *The **pending external cross-border settlement instructions*** cancelled by Monte Titoli at the end of the business day on Friday 3 February 2017 (EoD) must be re-submitted by Clients as of Monday 6 February 2017, using the “old” operating methods indicated respectively in the following links: [OeKB](#) (valid until 6 February), [Clearstream Banking Frankfurt](#) (valid until 6 February);

In this scenario also, the possibility that the opening of T2S is delayed (see. scenario 1) cannot be excluded. However, Monte Titoli's systems will be duly opened at 07:00 am on Monday 06/02/2017 and the provisions made for such a situation will remain valid.

4.3 SCENARIO 3: POINT OF NO RETURN NOT CONFIRMED BY OeKB

In order for such a scenario to occur, it is necessary that, apart from CBF, Monte Titoli have a link with OeKB only. Consequently, situations in which one of the other CSDs migrating in W4 do not confirm the point of no return do not concern us.

In the event that OeKB does not confirm a point of no return, it will be necessary to reset the master data and account configuration to the situation existing at EoD on Friday, 3 February.

In view of the modest business volumes managed with the Austrian market (50 financial instruments and very little trades on a monthly basis), such activities will be initiated by Monte Titoli and the market of reference as of 6 February 2016, and it is expected they will be completed by 7 February 2017.

As a result, it will not be possible for Monte Titoli participants to send and/or receive cross-border transfers with Austria until the reset to the situation prior to migration has been completed.

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5.0 COMMUNICATIONS TO CLIENTS IN THE EVENT OF AN ANOMALOUS SITUATION

Monte Titoli will send a conference call invitation to update its Clients as soon as possible and will announce:

- the critical issues which have arisen;
- the decisions taken;
- the actions taken, their consequences and the operational impact for Clients;
- activities currently under way and planned activities.

The conference call invitation will be sent by email, as described in the section entitled “Update during the migration weekend”.

6.0 CONTACTS

For further information, please contact the following offices according to the area concerned:

Client Services

e-mail: ptclient@lseq.com

phone: +39 02 33635 640

Settlement International

e-mail: settlement.international@lseq.com

phone: +39 02 33 63 53 90

For further information or if support is required during the migration weekend, please contact the following offices:

Post Trade Technology Services

Service Operation

e-mail: ptts-somt@lseq.com

phone: +39 02 33635566

Sales and Relationships Management