

Target2 Securities Priority 2 & Party 2

Test Plan

14th June 2016

Version 1.0



London
Stock Exchange Group

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1.0 TEST APPLICABILITY, SCOPE AND TIMELINE

Tests of new SW implementation of Party 2 and Priority 2 described in this document are applicable to ICPs and DCPs.

- **PARTY 2**

Currently, X-TRM Service acquires settlement instructions from T2S platform identifying the client of the Settlement Agent (i.e. “Negoziatore”) with the “default BIC” of Party 2 whereas some participants in T2S foresee the use of branch codes of the default BIC Party1 to identify their clients.

Monte Titoli has now removed this discrepancy implementing a process that retrieves the correct “Negoziatore” CED code (the Client of the SA) starting from the Party 1 BIC code, T2S SAC code and Party 2 BIC code present in the input X-TRM instructions .

- **PRIORITY 2**

Settlement instructions referred to market transaction (both guaranteed and not guaranteed) and related CAOOF are now created by Monte Titoli and sent to T2S platform with priority 2 (top priority) instead of the actual priority 1 (reserved).¹

With regards to CAOOF the priority 2 affects both Market claims and Transformations.

Client Tests will be executed starting from 11th July 2016 till 26th August 2016 in the test environment called Avviamento connected to T2S test environment called “UTEST”.

Although the environment Avviamento will be available for tests without interruptions (with the exception of maintenance activities not scheduled at the moment), Monte Titoli suggests to concentrate tests by the end of the first week of August.

2.0 TEST ORGANIZATION

Operating procedures

- The test will be executed in MT environment named “Avviamento” connected to T2S testing environment named “UTEST”.
- The clients are required to execute test cases to assure that they can use successfully the changes made to the SW by Monte Titoli and also that these changes have not introduced regression on BAU activities.

¹ Please note that Monte Titoli will send these instructions with priority left to blank and the priority 2 will be assigned by the T2S platform. For this reason the priority will not be valued by the platform either in the settlement instructions and related reporting.

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- The test cases have been scheduled in a specific time period, specified in the section 3.0 following the suggestions reported in the Annex 1 and 2.
- The test environments will operate according to the scheduling named “standard day” as reported in section 4.0.

3.0 TEST PLAN TIME-LINE

Since Monte Titoli will execute internal tests on the SW before opening the External Client Test, during this period clients could receive the outcomes (positive or negative) of Monte Titoli internal tests as they will take place in the Avviamento test environment which offers full connectivity to clients and market trading platforms.

The External Client Test executed by DCPs and ICPs will start from the 11th July until the 26th August in the Avviamento environment connected to UTEST following suggestions reported in the Annex 1 and Annex 2.

The Go live in the Production environment is currently planned on 5th September taking into account the outcomes of tests.

4.0 GUIDE LINES FOR TESTING

1. STATIC DATA

The static data related to parties will be the ones currently configured in the tool named ‘CLIMP’ in the test environment.

2. MARKET TRADING PLATFORMS

Market Trading platforms are connected to Monte Titoli Avviamento environment, therefore clients are kindly invited to enter trades in the platforms in order to create the scenarios necessary for their testing (i.e. fails on which Monte Titoli will create CAOF transactions according to corporate action events reported in the Annex 2).

3. PROCESSES SCHEDULING

During the test period the scheduling configured in the test environment, named “standard day”, is the following

Note: all time are CEST, source ECB documentation.

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OPERATIONAL DAY SCHEDULE	T2S STANDARD DAY SCHEDULE
- START OF TESTING	07:00
REAL TIME SETTLEMENT	
TIMINGS OF MASSIVE RECYCLING	06:00 - 16.00
- PARTIAL SETTLEMENT 1	10:00 - 10:15
- PARTIAL SETTLEMENT 2	12:00 - 12:15
- PARTIAL SETTLEMENT 3	14:00 - 14:15
- PARTIAL SETTLEMENT 4	15:45 - 16:00
- DVP/ CASH SR1 CUT-OFF4	16:00
- COLLATERAL REIMBURSEMENT	16:20
- BATM / CBO CUT-OFF	16:40
- INBOUND LTO CUT-OFF / AUTOMATIC CASH SWEEP	16:45
- SECURITIES SR / FOP CUT-OFF	17:00
END-OF-DAY/START-OF-DAY	
- CHANGE OF BUSINESS DATE	17:45
- FEEDS FROM CMS	18:00
- CASH INJECTION	18:30
- START OF NIGHT-TIME SETTLEMENT	18:30
NIGHT-TIME SETTLEMENT	
- END OF TESTING	19:00

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5.0 TEST OBJECTIVE

5.1 Party 2

DCPs and ICPs are required to verify the correctness of the following:

- ✓ The values reported in the settlement instructions created by X-TRM on the basis of the set up of Party1, Party2 and Settlement Account reported in the transactions received by X-TRM
- ✓ If Party 2 is valued, to verify that X-TRM reports the value in the settlement instructions sent to T2S and that they are correctly matched
- ✓ If Party 2 is NOT valued, to verify that X-TRM does not report the value in the settlement instructions sent to T2S and that they are correctly matched

To help clients to verify these objectives, we have drafted in the Annex 1 some uses cases (Note: the list is not exhaustive), each client should choose the use cases most applicable to its own business model.

5.2 Priority 2

DCPs are required to verify their ability to distinguish the following:

- ✓ Settlement instructions related to on exchange CCP Net Balances sent with the priority 2
- ✓ Settlement instructions related to on exchange not guaranteed trades sent with priority 2
- ✓ Settlement instructions related to CAOF on Exchange (guaranteed and not guaranteed) sent with priority 2
- ✓ Other type of settlement instructions having priority 3 or 4 (the last one default priority for a participant)

To help clients to verify these objectives a calendar with some corporate events is drafted in the Annex 2.

For both Party 2 and Priority 2 related enhancements, each client is invited to send a feedback on the outcomes of tests executed sending an e-mail to mt-test-sett@lseg.com by the 26th August 2016.

6.0 MONTE TITOLI SUPPORT TO TESTING

Any request for support or clarification regarding the operating principle of the functionalities to be tested should be addressed to: mt-test-sett@lseg.com

Any request for support or changes to the masterdata set-up during the period of testing should be addressed to: mdm@lseg.com

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Annex 1

The table below reports some test scenarios that can be reproduced to verify the correct implementation of the Party 2.

The list of Party 2 configured in X-TRM is published on the Monte Titoli web site monthly.

#	PARTY 1	SAC	PARTY 2 populated in the transaction input in T2S or in X-TRM	PARTY 2 configured in X-TRM	DCP	ICP	OUTCOME IN T2S
1	Y	Y	Y	N	input the transaction in T2S	confirm the allegment in X-TRM	SI matched
2	Y	Y	Y	N	confirm the allegment in T2S	input the transaction in X-TRM	SI matched
3	Y	(*)	N	-	input the transaction in T2S	confirm the allegment in X-TRM populated with the SA	SI matched
4	Y	(*)	N	-	confirm the allegment in T2S with the input of Party 2	input the transaction in X-TRM	SI matched
5	Y	(*)	N	Y	input the transaction in T2S with the SA account	confirm the allegment in X-TRM with the SA and the SA account	SI matched
6A	Y	(*)	N	Y	receive the Allegment in T2S with the default Party1	input the transaction in X-TRM with CED of the counterparty as SA	SI not matched
6B	Y	(*)	N	Y	confirm the allegment in T2S with the correct assignment of Party 1 and the input of Party 2	input the transaction in X-TRM with the CED of the counterparty as SA's client	SI matched

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#	PARTY 1	SAC	PARTY 2 populated in the transaction input in T2S or in X-TRM	PARTY 2 configured in X-TRM	DCP	ICP	OUTCOME IN T2S
7	Y	Y	Y	Y	input the transaction in T2S	confirm the allegment in X-TRM	SI matched
8A	Y	Y	Y	Y	receive the Allegment in T2S with the default Party1	input the transaction in X-TRM with CED of the counterparty as SA	SI not matched
8B	Y	Y	Y	Y	confirm the allegment in T2S with the correct assignment of Party 1 and the input of Party 2	input the transaction in X-TRM with CED of the counterparty as SA's client	SI matched

(*) For this scenario the SAC can be valued or not

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Annex 2

In the following some corporate events that will take place during the test period in order to create CAO instructions.

Week from 11th to 15th July

DESCRIPTION	ISIN	SECURITIES NAME	PAYMENT DATE	RECORD DATE
Interest Payment	IT0004518715	CCT 09/16 TV	2016 – 07 – 01	2016 – 06 – 30
Redemption	IT0004518715	CCT 09/16 TV	2016 – 07 – 01	2016 – 06 – 30
Redemption	IT0005122061	BOT 20160714 366 GG	2016 – 07 – 14	2016 – 07 – 13
Interest Payment	IT0005058463	BTP 20180115 0.75%	2016 – 07 – 15	2016 – 07 – 14

Week from 18th to 22th July

DESCRIPTION	ISIN	SECURITIES NAME	PAYMENT DATE	RECORD DATE
Dividend	IT0000062072	GENERALI ORD	2016 – 07 – 19	2016 – 07 – 18
Conversion	IT0005089864	DIGITOUCH	2016 – 07 – 22	2016 – 07 – 21

Week from 25th to 29th July

DESCRIPTION	ISIN	SECURITIES NAME	PAYMENT DATE	RECORD DATE
Dividend	IT0000072618	INTESA ORD	2016 – 07 – 26	2016 – 07 – 25
Redemption	IT0005160129	BOT 20160729	2016 – 07 – 29	2016 – 07 – 28

Week from 1st to 5th August

DESCRIPTION	ISIN	SECURITIES NAME	PAYMENT DATE	RECORD DATE
Interest Payment	IT0003256820	BTP 02/33 TF 5,75%	2016 – 08 – 01	2016 – 07 – 29
Interest Payment	IT0003493258	BTP 03/19 4,25%	2016 – 08 – 01	2016 – 07 – 29
Dividend	IT0003676282	PREMUDA	2016 – 08 – 05	2016 – 08 – 04

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Week from 8st to 12th August

DESCRIPTION	ISIN	SECURITIES NAME	PAYMENT DATE	RECORD DATE
Dividend	IT0005108763	CARIGE	2016 - 08 - 09	2016 - 08 - 08
Redemption	IT0005125627	BOT 20160812	2016 - 08 - 12	2016 - 08 - 11
Conversion	IT0005114480	BOMI ITALIA	2016 - 08 - 12	2016 - 08 - 11

Week from 16th to 19th August

DESCRIPTION	ISIN	SECURITIES NAME	PAYMENT DATE	RECORD DATE
Dividend	IT0005108771	CARIGE RP	2016 - 08 - 19	2016 - 08 - 18

Week from 22nd to 26th August

DESCRIPTION	ISIN	SECURITIES NAME	PAYMENT DATE	RECORD DATE
Dividend	IT0000072626	CARIGE RP	2016 - 08 - 23	2016 - 08 - 22
Conversion	IT0005119083	PITECO	2016 - 08 - 26	2016 - 08 - 25

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