



# T2S Wave 1 Lessons Learned: Monte Titoli

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# T2S Wave 1. Lessons Learned

**Monte Titoli's experience**

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# Agenda

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- The roadmap to T2S
- Lessons Learned
- Points of attention
- Monte Titoli and the next waves
- Monte Titoli's strategy in the upcoming future



# The roadmap to T2S



Monte Titoli  
announced to join W1



Project life cycle



Monte Titoli & the Italian  
community go live in T2S



T2S, by far, was the largest project ever managed by Monte Titoli over its 30-years history

# Lessons Learned: key complexity



## Major change

T2S transition requires each CSD to replace its core internal settlement engine with an external one, making sure all other custody components continue to work properly and synchronized.

## New model

The new T2S engine operates with different and extended working hours, with different settlement cycles and a new operational day, multi countries, multi Central Banks, different optimization, settlement model and auto collateral rules... and it is operated by the European Central Bank.

## Other risks

Most of the European CSD decided to leverage on T2S project either to introduce new platforms or re-design existing core functionalities of their CSD services. This may add additional complexity, risks and dependencies.

## Harmonization

Harmonization project running in parallel is a project in the project.

## Governance

T2S program governance involves many different stake-holders: ECB, T2S Operator and 4CBs, Trading venues, CCP, CSDs, clients.

# Lessons Learned: key challenges for wave 1



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## High volumes

High volumes and complex migration of static and dynamic data: 250.000 lines of stock, 40.000 domestic ISIN + 10.000 non domestic, 90.000 settlement tx per day (99% of T2S current volumes) and high number of client accounts.

## Short testing

Wave 1 participants had only 3 months of community testing vs the 6 months allocated to the other waves.

## Late delivery

The community test of wave 1 was supposed to last from March to May 2015, with migration forecasted on June 22<sup>nd</sup>. T2S platform was stabilized only at the end of May, with many defects fixed late, if compared to the original plan: in particular reconciliation.

## Understanding

Despite the long preparatory work and the long study of T2S specifications, during the testing period part of functionalities were found to be different from what expected.

# Lessons Learned: success factors



## Governance & Preparation

- Set up of Technical User Group (TUG), with committed user's engagement & contribution.
- Strong coordination from the NUG and Bank of Italy, with participation of ECB.
- Significant coordination effort of Monte Titoli at domestic and international level.
- Long preparatory work performed since 2011 with clients, CCP and all market participants, including independent software houses supporting our clients.

## Transparency

- Open and transparent dialogue with our Clients, with involvement in key decisions.
- Continuous effort to align community testing with clients.
- Introduction of an end-to-end web-based problem-tracking system (Jira) with clients, accessible for consultation and supported by a dedicated task force for the entire community testing period.

## Crisis Management

- Move to crisis management methodology, as soon as our clients highlighted first delay:
  - ✓ Daily interaction with ECB and Bol
  - ✓ Daily interaction with client top management, on site visits and NUG
- Agreed de-scoping of some functionalities (CAoF on OTC, Portfolio transfers).
- Focus on priorities and key functionalities to go-live.



# Points of attention <sup>1/2</sup>

Critical topics that future waves should consider:

Static Data	SSI	Education
<ul style="list-style-type: none"><li>• High number of accounts &amp; complex process</li><li>• The testing environment doesn't migrate to production</li><li>• MT provided clients with a web-tool to check data both in test and production</li></ul>	<ul style="list-style-type: none"><li>• Ad-hoc communication must be sent well in advance and agreed upon with clients and their clients</li><li>• Make clients aware of how critical this topic is</li></ul>	<ul style="list-style-type: none"><li>• Ensure clients fully understand new processes</li><li>• Ad-hoc trainings need to be organized</li><li>• Monte Titoli has written over 20,000 pages of technical documentation</li></ul>



# Points of attention 2/2

Critical topics that future waves should consider

Liquidity management	Penalties	Testing
<ul style="list-style-type: none"><li>• Critical situation during 1<sup>st</sup> two weeks</li><li>• CCPs had to inject huge amounts of liquidity</li><li>• Issue was escalated with ECB and 2 additional settlement windows were introduced with immediate effect</li></ul>	<ul style="list-style-type: none"><li>• In agreement with the Authorities, Monte Titoli &amp; CCG waved penalties for 5 months</li><li>• No buy-in processes* applied for the same period</li></ul>	<ul style="list-style-type: none"><li>• Ensure clients fully understand the new processes</li><li>• Ad –hoc trainings with all participants</li></ul>

\* Except for equity trades due to Regulation



# Monte Titoli and the next waves

Monte Titoli is now focusing on:

- Completing W1 working on the implementation of the de-scoped functionalities (Q3 2016)
  - Portfolio Transfer completed in December 2015
  - CAoF and party 2 in September 2016
- Supporting the migration of the future waves, in particular the re-planning exercise for ESES
- Publishing the new T2S pricing Q1 2016 to become effective in Q1 2016

# Monte Titoli's strategy in the upcoming future



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- Complete the enhancement of X-COM triparty collateral management system. Just launched two repo baskets guaranteed by CC&G addressed to the needs of treasurers:
  - ECB € Repo
  - ECB € High Quality Assets (HQLA) Repo
- Support the strategy of International Financial Institutions to have a direct access to the CSD with a flexible approach (i.e. tri-party model) and tax services on all Italian equities and bonds:
- Develop further its investor CSDs' offer a full service to support domestic banks managing T2S market securities, including tax services and full suite of SWIFT messages.



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