

ABN AMRO Clearing

Newsletter – 23 June 2016

- **Market:** T2S Migration
- **Impact:** FYI
- **Service:** IIS - Prime

Target To Securities (T2S) Frequently Asked Questions

Dear Client,

In view of the Migration to T2S, we have prepared a Frequently Asked Questions document based on the feedback and question we have received from different parties in this process.

We trust this FAQ document will provide useful information to you in view of the T2S migration.

We have divided this document in three sections related to General questions, Settlements related questions and an overview of used abbreviations in this document.

We kindly invite you to read this FAQ document, please feel free to share the information provided with the appropriate individuals within your organization.

In case you require any further information, please do not hesitate to contact your Relationship Manager.

Yours faithfully,

ABN AMRO Clearing
Visiting address: Gustav Mahlerlaan 10, 1082 PP Amsterdam
Mail address: P.O. Box 283, HQ0090, 1000 EA Amsterdam
Telephone (PTG Clearing) +31 (0)20 344 2440
Telephone (Prime Services) +31 (0)20 3 44 2660
Web-site: www.abnamroclearing.com

1. General FAQ's

1.1 What are/were the effective dates of the various migrations/waves?

Wave 1a – 22 June 2015:

SIX SIS (Switzerland)

Bank of Greece Securities Settlement System (Greece)

Depozitarul Central (Romania)

Malta Stock Exchange

Wave 1b – 31 August 2015:

Monte Titoli (Italy)

Wave 2 – 28 March 2016:

NBB (Belgium)

Interbolsa (Portugal)

Wave 3 – 12 September 2016:

Euroclear ESES (Belgium, France, Netherlands)

VP Securities (Denmark)

VP Lux (Luxembourg)

Wave 4 – 6 February 2017:

CBF (Germany)

OEKB CSD (Austria)

Keller (Hungary)

LuxCSD (Luxembourg)

AS Eesti Väärtpaberikeskus (Estonia)

Lietuvos centrinis vertybinių popierių depozitoriumas (Lithuania)

LCD - Latvijas Centralais depozitārijs (Latvia)

KDD (Slovenia)

CDCP SR, a.s. (Slovakia)

Wave 5 – 18 September 2017:

Iberclear (Spain)

Euroclear (Finland)

1.2 What are the benefits of T2S?

Post-trade harmonization is a key objective of T2S. T2S will introduce a single set of rules and standards and therefore reduce the complexity of the current market structure. By harmonizing areas of post-trade activities, T2S can reach its full potential and bring further benefits to European markets.

Safety benefits: in today's environment, reducing counterparty risk and risk on the settlement agent is an important element. T2S will reduce this by only settling in Central Bank Money (CeBM) – the safest settlement asset.

1.3 Is T2S a new European CSD operating its own settlement system?

No. T2S does not constitute a new European CSD operating its own Securities Settlement System (SSS). It is a settlement platform operated by the Eurosystem to which participating CSDs outsource their final settlement in Central Bank Money (CeBM) in EUR.

1.4 Will the full integration, by developing T2S result into a fully integrated Pan European Platform?

No, T2S is only foreseen as a settlement platform. Asset Servicing will be provided by national CSD's from local platforms.

1.5 Which currencies are eligible in T2S?

Only the EURO currency is eligible in T2S.

1.6 How will AACB ensure being T2S compliant?

AACB will participate in integrated dress rehearsals with other stakeholders. During these dress rehearsals the core functionality will be tested. Also, AACB offers clients the opportunity to test during these dress rehearsals. Support teams will be available during the migrations to cope with any unforeseen circumstances.

1.7 What is the difference between ICP and DCP?

CSD participants have the choice to become ICP or DCP.

ICP stands for Indirectly Connected Participant: ICP's will connect to T2S via a CSD

DCP stands for Directly Connected Participant: DCP's are authorized by its CSD to access T2S directly

1.8 Will AACB become a DCP (Directly Connected Participant)?

AACB will be become DCP in the following markets:

- *Euroclear Netherlands*
- *Euroclear Belgium*
- *Euroclear France*
- *NBB*
- *CBF*
- *OEKB*
- *SIS: AACB will start as ICP on SIS but has plans to become DCP in the future.*

1.9 Will new cash deadlines be applicable for funding cash account and payments

For EUR and non EUR cash current deadlines will not be impacted.

1.10 Will a dedicated support team be available for clients, to cover expected increase in queries and required assistance?

Yes, a support team will monitor closely during and after the migration wave.

1.11 Staff must be aware of applicable/new/changed SI's.

Several dress rehearsals will be performed and test trades will be executed in cooperation with relevant staff.

1.12 Will AACB support evening/weekend shifts during migration waves?

During Wave 3, the ESES migration, a shift will be available in the weekend as the ESES migration has impact on positions within AACB systems. This is not the applicable for other migration waves.

1.13 Is an inventory available of clients approach how to connect to T2S (via AACB or direct).

Clients are not considered to be T2S participants and will therefore not qualify to become a DCP or ICP. Clients can therefore connect to the T2S platform via AACB only.

1.14 Will a document be available containing "technical" changes and planning?

In view of this we would like to refer to the below published T2S key documents.

ECB website:

<https://www.ecb.europa.eu/paym/t2s/about/keydocs/html/index.en.html>

AACB website:

<http://www.abnamroclearing.com/en/what-we-do/regulations/target2securities/index.html>

1.15 Will documents be released per migration wave?

Per migration wave, a document with specific information for that wave will be released. The FAQ document serves as a comprehensive document.

1.16 How will AACB ensure being T2S compliant?

AACB will participate in integrated dress rehearsals with other stakeholders. During these dress rehearsals the core functionality will be tested. Also, AACB offers clients the opportunity to test during these dress rehearsals. Support teams will be available during the migrations to cope with any unforeseen circumstances.

2. Settlements related FAQ's

2.1 Will the current settlement deadlines within T2S change?

T2S will follow its own settlement day schedule which differs from the current European CSD's settlement schedule.

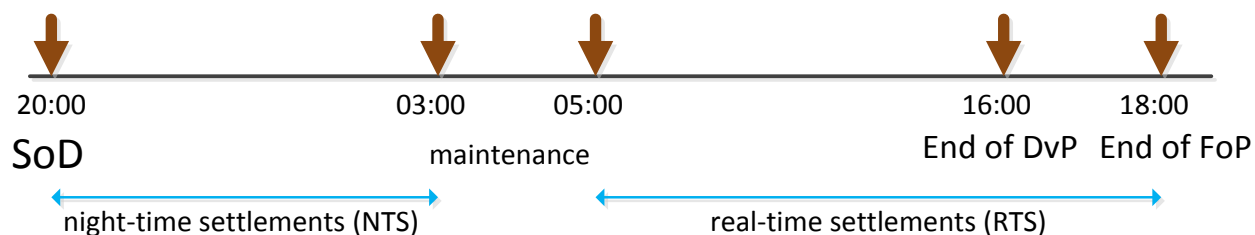
The T2S settlement day schedule is:

- *Night-time settlement (NTS) process starts at 20:00 on intended settlement date (ISD) -1 and ends at 03:00 on ISD.*
- *Real-time settlement (RTS) process starts at 05:00 and ends at 18:00 CET with two major cut-off times:*

DVP cut-off time at 16:00 CET

FOP cut-off time at 18:00 CET

T2S will not be available from 03:00 CET to 05:00 CET designated as a daily technical maintenance window



2.2 Will there be a BIC change for involved (counter)parties within T2S or only for CSDs? *T2S will apply the "BIC 11" replacing "BIC-8" and local participant id's. Clients as advised to review counterparty SSIs data set-up and change to "BIC-11" as soon as possible after a CSD is migrated to the T2S platform.*

2.3 Is there any projection/estimate of the changes in (settlement) fees/charges within T2S? *Currently we do not foresee changes in settlement fees.*

2.4 Will AACB "transform" pending settlement instructions to the new T2S environment? *AACB will migrate pending settlement instructions to T2S environment. Therefore, clients are not impacted. Pending/open settlements will also be migrated by the CSD.*

2.5 Will AACB cancel pending settlement instructions? *Unmatched transactions with an intended settlement date (ISD) of more than 20 business days in the past will be cancelled according to T2S policy.*

During migration, cross border instructions (one or both legs) will be cancelled. For so called depot switches, both legs will be cancelled.

2.6 Will AACB support repairs for T2S markets? *Yes, repair services will continue to be provided according to agreements in place.*

2.7 Will the process around depot switches change? *Processing of depot switches between two T2S CSD's will become equal to regular domestic transactions. Clients can continue to use SPM to instruct depot switches.*

2.8 Will "cross border transactions" need to be formatted differently, in case both "markets" are on the T2S Platform? *In case both CSDs are on T2S platform cross borders are regular domestic T2S transactions. Only if one CSD is on T2S and the other is not, the cross border should be formatted specific. Cross border T2S instruction templates will be provided upon request by our Account Management team.*

2.9 Will Transaction Linkage be available for clients? *Transaction Linkage will be available for clients who instruct with Swift, GRIP-Channels or CII.*

2.10 Will AACB support partial settlements? *Partial settlement will be applied by default for both CCP and OTC transactions/settlements. Clients using SWIFT, GRIP-Channels or CII can exclude partial settlement by using the "NPAR" indicator in the related instructions.*

2.11 Will partial settlement functionality have an impact on settlement fees?

Settlement fees will remain unchanged. However, as partial settlements will become standard functionality, consequently the number of settlements might increase.

On the other hand, it is expected that penalty fees for failing settlements will decrease as trades can now settle partially. Penalty fee is calculated Ad Valorem (based on the asset value which was not delivered).

2.12 Partials: how will partial settlement be prioritized?

A trade/settlement will be partially settled in case there are sufficient or insufficient securities to meet certain threshold criteria regarding quantity and cash value.

During the settlement cycle there are three windows in which partial settlement will be processed:

- *during the night batch.*
- *during the first partial settlement window between 14:00 CET and 14:15 CET*
- *during the second partial settlement window between 15:45 CET and 16:00 CET (this window starts 15 minutes before the beginning of the DVP cut-off time).*

2.13 Will the netting procedure change with T2S?

There will be no impact on the netting functionality.

2.14 Will AACB support bilateral cancellations?

Unmatched transactions can be cancelled unilaterally.

Matched transactions can be cancelled bilateral only:

- *If the counterparty cancels a matched transaction, AACB will inform the client on the fact that the client is expected to provide a matching cancellation instruction.*
- *If the client cancels a matched trade, AACB will inform the client about the status "pending cancellation".*

2.15 Will AACB support the Hold & Release functionality?

Hold & Release functionality is already available for some markets prior to T2S, being:

- *ESES*
- *CBF*
- *CBL*
- *Crest (not HSBC)*
- *Austria*
- *Sweden*
- *Switzerland*

For all migrated T2S markets, the "Hold & Release" functionality will become available for clients instructing via Swift, GRIP-Channels or CII.

2.16 Will AACB support Asset Services (CA/TAX/Proxy) for T2S markets/connections?

Yes, asset services will be supported according to existing agreements.

2.17 Will the process for allegements processing change with T2S?

The actual allegement process will not change after a T2S migration. However, T2S will no longer report the BUYR/SELL account code which will make the allocation of transactions more complicated.

3. Abbreviations:

AACB	ABN AMRO Clearing Bank N.V.
CBF	Clearstream Bank Frankfurt
BIC	Bank Identifier Code
CBL	Clearstream Bank Luxembourg
CCP	Central Counter Party
CII	Computer Interface
CSD	Central Securities Depository
CeBM	Central Bank Money
DCP	Directly Connected Participant
DVP	Delivery Versus Payment
EGSP	Euroclear Group Single Platform
ESES	Euroclear Settlement of Euronext-zone Securities
FOP	Free Of Payment
ICP	Indirectly Connected Participant
ICSD	International Central Securities Depository
ISD	Intended Settlement Date
NBB	National Bank of Belgium
NPAR	Non Partial
NTS	Night Time Settlement
OEKB	Oesterreichische Kontrollbank
OTC	Over The Counter
RTS	Real Time Settlement
SIX SIS	Six Securities Services Swiss Financial Market.
SI	Settlement Instructions
SPM	Special Products Module
T2S	Target to Securities
VP	VP Securities Denmark

Disclaimer: This document (the "Newsletter") has been prepared by ABN AMRO Clearing Bank N.V. ("AACB") and is solely intended to provide general information about the subject matter. The information in the Newsletter is strictly proprietary, unless otherwise stated and is being supplied to you solely for your information. The Newsletter is informative in nature and does not constitute legal, regulatory or other advice nor does it express any recommendations and may not be used for such purposes. Everyone using this Newsletter should acquaint themselves with and adhere to the applicable rules, regulations and legislation. No reliance may be placed for any purposes whatsoever on the information, opinions, forecasts and assumptions contained in the Newsletter or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is given by or on behalf of AACB, or any of its directors, officers, affiliates or employees as to the accuracy or completeness of the information contained in this document and no liability is accepted for any loss, arising, directly or indirectly, from any use of such information. Nothing contained herein shall form the basis of any contract or commitment whatsoever.