

TO : Members, Custodians and Settlement Banks of the Cyprus Stock Exchange – DSS/CSE Operators

FROM : Acting General Manager of the Cyprus Stock Exchange

SUBJECT: **Information on the transition plan of Cash Settlement to T2-T2S Consolidation Environment**

DATE : **14 July, 2022**

CIRC. No: **14-2022 / 11-2022**

Sirs,

In this circular we set out the actions that the Settlement Banks (SB), the Clearing Members and the Custodians / Operators of the CSE will be required to carry out, in coordination with the corresponding actions of the Stock Exchange, in view of conducting the **“Ancillary Systems Testing Campaign”**, scheduled by the Eurosystem in the context of the **implementation of the T2-T2S Consolidation project**, in which the Ancillary Systems (AS) of Target2 with their Participants will take part.

It is noted that testing in the European Union has already been launched, as it is scheduled for the period **11/7/2022 – 29/7/2022** excluding the period **15-17/07/2022**, during which the **“T2-T2S Migration Weekend Dress Rehearsal”** transition testing will be carried out, simulating the migration weekend from the existing Target2 environment to the Target consolidation environment. Additionally it is also noted that the Cyprus Stock Exchange is in the final stages / in the process of finalising certain technical changes and once completed, you will be notified of the exact dates on which the tests will be conducted.

The AS of the Stock Exchange will maintain the existing cash settlement procedure in the new T2-T2S Consolidation environment, by renaming the currently used **“Settlement procedure 6 — Dedicated liquidity, real-time and cross-system settlement (AS6)”** to **AS Settlement procedure C**, with the use of sub-accounts, which will be opened under RTGS DCA (Dedicated Cash Accounts) of the Settlement Bank. The main difference, compared to the existing procedure, is that the daily procedure currently executed every morning by the Cyprus Stock Exchange is abolished and replaced by an automated procedure by Target2 on the commencement of the business day, while the ISO 20022 messages are also used.

The table below describes the testing scenarios and the time slots for the conduct of the tests by the Stock Exchange with the participation of the following:

- Settlement Banks.
- Clearing Members.
- Custodians / Operators.
- Cyprus Stock Exchange.
- Central Bank of Cyprus.

Testing Scenarios			
Begin-ning	End	Action conducted by	Actions
	11:00	SBs	<p><u>Entry of liquidity transfer orders before the commencement of a cycle</u></p> <ul style="list-style-type: none"> • The SBs must enter liquidity transfer orders to the sub-accounts of the Clearing Members and the Custodians they serve from their RTGS. • The orders can be executed via Liquidity Credit Transfer or via ESMIG (U2A).
09:00	12:00	Members and Custodians	<p><u>Entry of OTC orders (for same day settlement).</u></p> <ul style="list-style-type: none"> • Members and Custodians must have at their disposal the volumes or the amount of the order for its settlement. • Members and Custodians must contact the SB in order to credit the cash account kept by them with the amount due of the OTC order.
11:00	11:45	CSE	<p><u>Commencement of 1st Settlement Cycle</u></p> <ul style="list-style-type: none"> • Receipt by the CSE of a blocked balances record in the sub-accounts of the Members and Custodians. • Dispatch of cash settlement record and execution of the relevant settlements by Target. • End of the 1st Settlement Cycle with the release of the sub-account balances.
11:00	11:45	SBs	<p>The SBs enter liquidity transfer orders from the RTGS to the sub-accounts after the commencement of the 1st cycle via Liquidity Credit Transfer or via ESMIG (U2A).</p>

12:00	12:45	CSE	<p><u>Commencement of 2nd Settlement Cycle</u></p> <ul style="list-style-type: none"> • Receipt by the CSE of a blocked balances record in the sub-accounts of the Members and Custodians. • Dispatch of cash settlement record and execution of the relevant settlements by Target. • End of the 1st Settlement Cycle with the release of the sub-account balances.
13:00	13:00	CSE	<p><u>End of AS Settlement procedure C</u></p> <p>Automatic transfer of any balances from the sub-accounts to the corresponding RTGS account of the SB.</p>
13:00	14:00	SBs	<p><u>Verification of results</u></p> <ul style="list-style-type: none"> • They verify that there are no balances in the sub-accounts after the end of the procedure • They verify that they have received the Bank To Customer Debit Credit Notification (camt.054) for the debit / credit in their sub-account (for the SBs which have opted to receive this). • They reconcile the movements of the sub-accounts during the day.
13:00	14:00	CSE	<p><u>Verification of results</u></p> <ul style="list-style-type: none"> • It verifies via ESMIG (U2A) the display of the payments, messages, etc, using the appropriate filters. • It verifies the relevant messages received from T2 and reconciles these with the corresponding settlement movements sent.

In order to conduct the tests you must connect to the DSS via a web browser (Internet Explorer or Firefox), using the following URL: <https://dssmock.cse.com.cy/>

We would also like to note that the data in the testing environment is the data available up to the **24th of August 2020**. If you experience any problems during the testing period, you should contact the Stock Exchange by email at target2@cse.com.cy.

It is noted that the contribution and active participation of all of the above Market participants in the scheduled tests is an important and critical factor for the smooth and successful transition to the new T2-T2S Consolidation environment, which will take effect on 21 November 2022.

In conclusion, we would like to note that you will be notified of the exact test dates by email. The tests will be conducted between 18-29 July 2022.

We remain at your disposal for any clarifications and thank you in advance for your cooperation.

Yours,

Angeliki Frangou
Head of Central Securities Depository Department
(for Acting General Manager)

Cc.: Cyprus Securities and Exchange Commission
CFSFA
Issuers' Committee under Regulation EU 909/2014
Participants' Committee (Members and Custodians) under Regulation EU
909/2014