

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Migration Sub-group	Institute: ECB	Date raised: 01/07/2013
Request title: Support the migration of pending instructions with ISD in the past		Request ref. no: T2S 0409 SYS
Request type: Common		Urgency: Normal
1. Legal/business importance parameter: High	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: Medium	
Requestor Category: T2S Sub-group		Status: Authorised at Steering Level

Reason for change / expected benefits / business case:

In the context of migration to T2S, CSDs will need to send to T2S all settlement instructions that remained unsettled in their legacy systems prior to the migration weekend.

When settlement instructions are migrated to T2S, T2S checks that the information contained in the instructions is valid according to the static data at the intended settlement date (ISD) of the instruction.

For instance the following conditions must be fulfilled (for exhaustive list please refer to UDFS 1.2.1):

- The parties involved must exist and be open for settlement at the intended settlement date.
- The securities account(s) must exist and be open for settlement at the intended settlement date.
- The DCA(s) for settling the cash leg must exist and be open for settlement at the intended settlement date.
- The securities accounts and DCAs need to be properly linked at the intended settlement date.
- The security must exist and needs to be available for settlement in the relevant CSDs at the intended settlement date.
- The involved CSDs must allow settlement with each other for the security at the intended settlement date.

For instructions with intended settlement date in the past, these validations are performed for the intended settlement date and additionally for the current business date.

However, the relevant static data objects either do not exist before the migration week-end or, in case they exist, they have a different nature from the migration week-end on (for example, during the migration, the already migrated CSDs transform the migrating CSD from an external CSD to an internal CSD party). Therefore, when validating recycled instructions, the information contained in the instruction will either not exist in static data for the intended settlement date or be different from the one of the current business date. Thus, the instructions will be either rejected if they are entered already with ISD in the past or cancelled if they got recycled in T2S beyond a specific migration week-end.

Potential workarounds have been analysed in detail, but none of them could ensure a successful migration of pending instructions.

The MSG considers that the migration will not be feasible with above mentioned validations. Therefore these above mentioned validations need to be circumvented as long as pending instructions with an Intended Settlement Date before the migration date of the respective CSD are in the system. In order to do so, the MSG has analysed and endorsed the solution described below.

Description of Request:

The purpose of this Change Request is to implement a mechanism that allows circumventing all validations related to the ISD for instructions with an Intended Settlement Date before the migration date of the respective CSD following a simplified solution:

The complete list of validations related to the ISD in the past will be analysed and documented by 4CB during the detailed analysis of the CR.

The instructions for which the ISD related validations should be circumvented must be marked with a specific Corporate Action Event Identification. The 16 characters of the CA reference must be prepared as below.

- First 4 characters must be fixed as "MIRE" to represent 'migration related'
- Rest of the characters can be assigned freely by the CSDs.

By all means, the marked instructions (see above) shall be considered by the validation process as instructions with ISD equal to current business date despite the original ISD date. After successful validation, the instructions shall inherit again the original ISD for its storage and settlement.

Marked instructions (as described above) should not contain links (with, after or before) or pool references as otherwise those instructions run the risk of failing the validations related to the ISD consistency of linked instructions and may therefore be rejected. In order to subordinate the settlement of one instruction to another's instruction, hold instructions could be used instead.

Instructions input in T2S with ISD not falling in the past, are validated always versus static data valid at their ISD (i.e. beyond the migration date)

For an already migrated CSD having instructions with ISD in the past that involve a migrating CSD:

- These instructions are cancelled as a consequence of the SOD revalidation in T2S, since migrating CSD party as 'external CSD' is closed and opened as 'internal CSD'
- These instructions should be reinstructed with a specific code word (see above)
- Instructions (that would normally be rejected due to their ISD) are now accepted since they contain the relevant code word (see above)

Submitted annexes / related documents:

Migration of Instructions with ISD in the past.ppt

Proposed wording for the SYS Change request:

The section 1.6 of the UDFS 1.2.1 (page 246) will be amended as follows:

1.6.1.1.3 Validation process

T2S validates the T2S Actor's instruction, comparing its content with the information stored in the Static Data. Depending on the validation, T2S considers the Static Data either valid as of the intended settlement date of the instruction or the current configuration.

For those validations considering the intended settlement date, T2S also performs them considering the current business date when the intended settlement day is in the past. However, for the specific case of migration¹, the validations will be only performed at the current business day when the intended settlement date is in the past.

Duplicate check validation

At the moment T2S receives an instruction from a T2S Actor, it checks first that there are no duplicated instructions with the same combination of T2S Actor's Instruction Reference (Transaction ID) and Instructing Party (Instructing Party BIC and Instructing Party Parent BIC).

Those Settlement Instructions flagged accordingly by means of the Corporate Action Event Identification

Outcome/Decisions:

- * Migration Sub-group meeting of 1-2 July 2013: The Migration Sub-group decided to submit the Change Request to the Change Review Group.
- * Change Review Group meeting of 12 July 2013: The CRG decided to make some minor wording updates on the Change Request for clarification purposes and agreed to request the 4CB assessment on the updated Change Request.
- * Change Review Group Telco of 16 September 2013: The CRG decided to recommend the approval of the CR
- * Advisory Group's advice on 4 October 2013: Following a written procedure from 27 September to 4 October 2013, the AG was in favour of the Change Request.
- * CSD Steering Group meeting of 26 September 2013: The CSG adopted the resolution to approve the Change Request.



Migration of Instructions with ISD in the past

MSG#8 – 03.06.2013



Background Information

- On March 2012, the MSG detected an issue related to the migration of instructions with ISD in the past due to current design in SDMG and LCMM
 - SD objects cannot be created with opening date before the current business day: following the concept of when the object is technically open.
 - LCMM validates the instructions against the information stored in SD at the ISD: following the concept of instructions referring to an open object. ISD legally binding.
 - Both interpretations are aligned in a normal settlement day in the production environment.
- After further discussions, three options were identified:
 - Change Request to the T2S design and URD (high impact)
 - Change the ISD of the instructions (not possible due to legal constraints)
 - Workaround procedure: configure SD in advance covering the majority of recycled instructions.



Background Information

- Although a workaround was identified, the MSG raised the CR 387 as they saw high risks in this approach
 - E.g. configuration mistakes or other external factors requiring a change to the static data configuration during the pre-migration phase would lead to the rejection of instructions with ISD in the past.
- The CR 387 was parked by the CRG on 10th of December as 4CB confirms that the risk can be mitigated via last level intervention (LLI).

It was agreed that the CR could be further considered when the MSG provides a solid business case.



Current Status



- The MSG has identified a new business scenario where the same issue appears: Migration of cross CSD instructions with ISD in the past would be rejected as a consequence of their ISD and the changes due in Static Data configuration:
 - CSDs migrating to T2S change from external to internal, leading to new parties in T2S
 - LCMM validates the recycled cross-CSD instructions against the ISD (at which CSD is external) and additionally on the current business day (at which the CSD is internal). As no single party is found, LCMM rejects the incoming instructions /cancels the existing instructions in their revalidation.

Current Status

- The identified workaround (configuration of SD in advance + LLI) is not viable anymore as for cross CSD instructions:
 - No single party exists (i.e. the nature of SD objects need to change) during the migration week end
 - LLI procedure is burdensome in cross CSD scenarios even if there is a low volume of affected instructions. Even for one single instruction, large number of tables need to be changed manually (which raises the risk of failure in the migration weekend)
- In this context, 2 TFs were organized to analyze the possible ways to migrate those instructions depending on CSDs configuration (2 BIC approach or Silo Approach).
 - One configuration of the 2 BIC approach (artificial BIC before the MIWE and official BIC for SME) allows the migration of these instructions with the limitation of configuration of SD in advance.
- In order to avoid the implementation of CR 387, to not force into the choice of one specific BIC approach and to withdraw the drawbacks the proposed solution might cause to CSDs/DCPs, 4CBs have envisaged a simplified solution that minimizes the impact on the T2S platform.



Brief description of the envisaged alternative



- Simplified solution : identify recycled instructions to circumvent validations.
 - Circumvents current LCMM validations and keeps the core design and development.
 - Recycled Settlement Instructions are
 - flagged as related to migration by the T2S Actor
 - validated by LCMM considering only the current business day (and not the ISD) .
 - therefore, they won't be rejected (nor cancelled in further revalidations of following days).
 - The simplified solution considers recycled instructions as a migration specific event.
 - In order to flag the instructions an existing field is used:
 - Corporate Action Event Identification should be filled with the reference agreed for the migration event.



Brief description of the envisaged alternative



- Recycled instructions will be cancelled by T2S in their revalidation and have to be re-instructed by the Actor (following the specific migration event).
 - During the migration, the migrating CSD switches from external CSD to internal CSD. Thus, the revalidation at SOD triggers the cancellation of the recycled instructions involving the migrating CSD (due to this switch).
 - These recycled instructions are re-instructed and flagged by the T2S Actor by:
 - Using a specific field of the message (or DMT): the Corporate Action Event Identification.
 - For these instructions, LCMM would use only the current business day for validation purposes (and not the ISD), and therefore they won't be rejected.



Brief description of the envisaged alternative



- The simplified solution can also be used for intra-CSD recycled settlement instructions
 - When a CSD migrates to T2S its domestic recycled settlement instructions, these recycled instructions are loaded and flagged by the T2S Actor by:
 - Using a specific field of the message (or DMT): the Corporate Action Event Identification.
 - For these instructions, LCMM would use only the current business day for validation purposes (and not the ISD), and therefore they won't be rejected.
 - With this approach, there will be no longer the need for CSDs to have all the Static Data configured and valid as of the pre-migration period (i.e. 3 months)



Brief description of the envisaged alternative



- Further clarifications on the simplified solution
 - For not recycled but pending instructions (i.e. those instructions with ISD not falling in the past) no impact is foreseen due to migration because
 - Instructions input in T2S with ISD not falling in the past, are validated always versus SD valid as their ISD (i.e. beyond the migration date)

As a consequence, no action is required for these instructions during the migration weekend

- Sending to T2S an instruction with the Corporate Action Event Identification prior to the migration does not prevent the cancellation of the instructions at the SOD revalidation of the migration weekend (i.e. when the migrating CSD switches from external CSD to internal CSD).
 - Including the Corporate Action Event Identification only prevents the rejection/cancellation after the migration of the CSD.

Outcome of the last Task Force

- It was agreed that the simplified solution solves the issue faced during the Migration Weekend for instructions with ISD in the past.
- The market has to approve the following consequences of this simplified solution:
 - Migration of recycled Settlement Instructions will be considered as a dedicated migration event.
 - Due to migration specificities, whenever the Corporate Action Event Identification is filled with the pre-agreed reference (even beyond the MWE), instructions will be only checked following the concept of being technically open (i.e. only at the current business day).
 - Instructions entered with the specific field should not contain links (with, after or before) or pools as the validations involving the ISD of linked instructions may reject them due to inconsistent ISD.
- In case the market would agree, a CR should then be issued
 - In an important effort from the 4CB side, it could be delivered before the user testing provided that the CR is approved by end of July