



EUROPEAN CENTRAL BANK

EUROSYSTEM

General Information (Origin of Request) <input checked="" type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS) <i>(to be filled in by ECB)</i>		
Request raised by: Euroclear	Institute: CSD	Date raised: 29/09/2012
Request title: Possibility of submitting already matched cross-CSD settlement instructions		Request ref. no: T2S 0383 URD
Request type: Common	Classification: Scope enhancement	Urgency: Normal
1. Legal/business importance parameter: Medium		2. Market implementation efforts parameter: Low
3. Operational/Technical risk parameter: Medium		4. Financial impact parameter: Medium
Requestor Category: CSD Users		Status: Implemented

Reason for change and expected benefits/business motivation:

The current text of the URD allows T2S parties to send already matched intra-CSD settlement instructions, but not already matched cross-CSD settlement instructions. This existence of this differentiation is in contradiction with the T2S objective of providing “core, neutral and borderless securities settlement”. More specifically, the existence of this restriction prevents T2S providing “harmonised and commoditised delivery-versus-payment settlement”. (Quotations come from page 4 of the URD).

As identified in the responses to two TFAX mini-consultation papers (on CSD ancillary services and on CCP instructions), this differentiation imposes extra costs and an extra burden on T2S actors.

From a T2S perspective, there is no rationale for this differentiation. In particular, the workshop on 20 July 2012 on T2S Data Access Rights confirmed that there is no justification for this differentiation from the perspective of data access rights management. (See: <http://www.ecb.int/paym/t2s/governance/extmtg/html/mtg43.en.html>).

Description of requested change:

The purpose of the change is to allow T2S actors to send already matched securities settlement instructions both for intra-CSD and for cross-CSD settlement. (A pre-condition for any such instructions is, of course, that the T2S Actor has received the rights to instruct over the relevant securities accounts).

Submitted annexes / related documents:

Proposed wording for the Change request:

The requirement T2S.05.500 (T2S matching exceptions) should be modified as follows:

T2S matching exceptions

Reference ID	T2S.05.500
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T2S shall not match instructions that enter T2S with the status “already matched” (e.g. pre-matched trades in 27 CSDs, corporate actions-related instructions) or “matching not required” (e.g. settlement restrictions). Such instructions may relate both to cross- and to intra-CSD settlement.

UDFS

The following **UDFS** sections should be modified:

1.2.5 Instruction Types

1.2.5.1 Settlement Instruction

[...]

Depending if the Settlement Instruction entered in T2S as already matched (with Match status set as "Matched") or not ("Unmatched"), it can be classified as:

- Unmatched Instructions: are those Settlement Instructions sent by the T2S Actors to be matched inside T2S;
- Matched Instructions: are those instructions from the same CSD (Intra CSD) or different CSDs (Cross CSD) that enter in T2S in a single message containing the information of the two counterparties: deliverer and receiver also known as Already Matched Settlement Instructions. (See section Business Validation [□284] and Matching [□329]).

[...]

1.6.1 Settlement

1.6.1.1 Business Validation

1.6.1.1.3 Validation process

Instructing Party validation

[...]

T2S performs the following validations over the Instructing Party:

I The Instructing Party exists and is active in T2S for the later date between the Intended Settlement Date and the current Business Day.

I The Instructing Party is active on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.

~~I The CSD of the Instructing Party of a Settlement Instruction or a Settlement Restriction on securities must be the same as the CSD of the Securities Account. This check prevents T2S Actors from sending already matched cross-CSD Instructions, since the CSD of the Instructing Party can be the same as the CSD of one of the Securities Accounts, but not of the other Securities Account.~~

I The CSD of the Instructing Party of a Settlement Restriction on securities must be the same as the CSD of the Securities Account.

I The CSD of the Instructing Party of an Unmatched Settlement Instruction must be the same as the CSD of the Securities Account (i.e. the Delivering Securities Account in a Delivering Settlement Instruction or the Receiving Securities Account in a Receiving Settlement Instruction).

I The CSD of the Instructing Party of a Settlement Instruction sent as already matched to T2S must be the same as the CSD of the Securities Account for the instructed leg (i.e. the Delivering Securities Account in an already matched sent as DELI or the Receiving Securities Account in an already matched sent as RECE).

I The CSD of the Instructing Party of a Settlement Instruction sent as already matched to T2S can be different than the CSD of the Securities Account of the counterparty (i.e. the Delivering Securities Account in an already matched sent as RECE or the Receiving Securities Account in an already matched sent as DELI). This allows T2S Actors to send already matched intra-CSD and cross-CSD Settlement Instructions.

It is worth mentioning that if the Depository of a Settlement Instruction (Delivering Depository or Receiving Depository) is an external CSD, the Securities Account is not in T2S and the CSD of the Instructing Party is considered as the CSD parent of that external CSD (i.e. acting as the CSD of the related Securities Account in T2S internal settlement scenarios).

[...]

ISIN Code validation

[...]

– When the Instructing Party is not the Technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a ~~Settlement Instruction~~ or Settlement Restriction on securities, the Intended Settlement Date of a Settlement Instruction or of a Settlement Restriction on securities should be equal to or later than the Issue Date.

– When the Instructing Party is not the Technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, or the Settlement Instruction is a cross-CSD sent as already matched to T2S, the Intended Settlement Date of a Settlement Instruction or of a Settlement Restriction on securities should be equal to or later than the Issue Date.

[...]

– When the Instructing Party is not the Investor CSD, the Technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, or the Settlement Instruction is a cross-CSD sent as already matched to T2S, the Intended Settlement Date should be earlier than the Maturity date of the Security plus the transformation detection period, as example below:

[...]

I When the Instruction Party is not the Investor CSD, the Technical Issuer CSD or the Issuer CSD of the ISIN Code specified in the Settlement Instruction, or the Settlement Instruction is a cross-CSD sent as already matched to T2S, the current Business Day should be earlier than the Maturity date of the security plus the transformation detection period, as example below:

[...]

Insolvency Restriction Type validation:

I Insolvency Restriction Type validation: In case of an insolvency of a T2S Actor, upon the activation of the “under insolvency situation” general configuration parameter by the T2S Operator, T2S verifies the following:

[...]

- In case of Settlement Instructions mandated by the Insolvency Liquidator, in order to bypass the rejection, the Instructing Party of the Settlement Instruction must be the CSD where the Securities Account is held and the Settlement Instruction must include the code word “LIQR” as the first four characters of the common trade matching reference of the Settlement Instruction. This means that cross CSD Settlement Instructions sent as already matched to T2S will never bypass the rejection (consequently, the cross CSD Settlement Instructions shall be sent unmatched to T2S by the Insolvency Liquidator).

1.6.1.2 Matching

1.6.1.2.2 Overview

T2S provides T2S Actors matching services for Settlement Instructions that require to be matched in T2S (i.e. all Settlement Instructions except the Settlement Instructions with Match status “Matched” regardless their ISO indicator, ISO transaction code (e.g. CORP) or hold status(es)).

Settlement Restrictions, Maintenance instructions, Realignment instructions, Auto-collateralisation instructions, Reimbursement auto-collateralisation instructions and Liquidity transfers do not go through the T2S matching process. The matching of Cancellation Instructions does not follow the rules presented in this section and is presented in section Instruction Cancellation [□338]).

~~Cross-CSD Settlement Instructions are matched in T2S. In case of Intra CSD Settlement, T2S allows CSDs and CSD participants to send already matched instructions. Instructions that enter into T2S as already matched follow the same matching rules as in T2S.~~

T2S allows CSDs and CSD participants to send already matched instructions Cross-CSD and Intra CSD. Instructions that enter into T2S as already matched are created with the matching fields as if they were matched in T2S (i.e. follow the same matching rules as in T2S).

[...]

3.3.8.4. SecuritiesSettlementTransactionInstructionV09 (sese.023.001.09)

[...]

Business rules applicable to the schema

MESSAGE ITEM	DATA TYPE/ CODE	BUSINESS RULES
SecuritiesSettlementTransactionInstructionV09 Document/SctiesSttImTxInstr	SecuritiesSettlementTransactionInstrucio nV09	MVCP013 [Error! Bookmark not defined.] MVSR701 [Error! Bookmark not defined.] MVSR702 [Error! Bookmark not defined.] MVSR703 [Error! Bookmark not defined.] MVSR704 [Error! Bookmark not defined.] MVSR707 [Error! Bookmark not defined.] MVSR709 MVSR710
[...]	[...]	[...]
AnyBIC Document/SctiesSttImTxInstr/DlvrgSttImPties/ Dpstry/Id/AnyBIC	AnyBICIdentifier	MVCP011 [Error! Bookmark not defined.] MVCP038 [Error! Bookmark not defined.] MVCP102 [Error! Bookmark not defined.] MVCP110 [Error! Bookmark not defined.] MVCP127 [Error! Bookmark not defined.] MVCV001 [Error! Bookmark not defined.] MVCV003 [Error! Bookmark not defined.] MVCV120 [Error! Bookmark not defined.] MVCV234 [Error!

MESSAGE ITEM	DATA TYPE/ CODE	BUSINESS RULES
		Bookmark not defined.] MVCV235 [▶ Error! Bookmark not defined.] MVCV236 [▶ Error! Bookmark not defined.] MVCV237 [▶ Error! Bookmark not defined.] MVCV238 [▶ Error! Bookmark not defined.] MVCV239 [▶ Error! Bookmark not defined.] MVCV241 [▶ Error! Bookmark not defined.] MVCV242 [▶ Error! Bookmark not defined.] MVCV273 [▶ Error! Bookmark not defined.] MVCV276 [▶ Error! Bookmark not defined.] MVCV278 [▶ Error! Bookmark not defined.] MVCV279 [▶ Error! Bookmark not defined.] MVCV280 [▶ Error! Bookmark not defined.] MVCV283 [▶ Error! Bookmark not defined.] MVCV287 [▶ Error! Bookmark not defined.] MVCV289 [▶ Error! Bookmark not defined.] MVCV298 [▶ Error! Bookmark not defined.] MVIC305 [▶ Error! Bookmark not defined.]

MESSAGE ITEM	DATA TYPE/ CODE	BUSINESS RULES
		MVIC307 [Error! Bookmark not defined.] MVIC308 [Error! Bookmark not defined.] MVIC316 [Error! Bookmark not defined.] MVDC028
[...]	[...]	[...]
AnyBIC Document/SciesSttImTxInstr/RcvgSttImPties/ Dpstry/Id/AnyBIC	AnyBICIdentifier	MVCP011 [Error! Bookmark not defined.] MVCP038 [Error! Bookmark not defined.] MVCP103 [Error! Bookmark not defined.] MVCP110 [Error! Bookmark not defined.] MVCP125 [Error! Bookmark not defined.] MVCP127 [Error! Bookmark not defined.] MVCV003 [Error! Bookmark not defined.] MVCV122 [Error! Bookmark not defined.] MVCV002 [Error! Bookmark not defined.] MVCV245 [Error! Bookmark not defined.] MVCV246 [Error! Bookmark not defined.] MVCV247 [Error! Bookmark not defined.]

		MVCV248 [Error! Bookmark not defined.]
		MVCV249 [Error! Bookmark not defined.]
		MVCV250 [Error! Bookmark not defined.]
		MVCV251 [Error! Bookmark not defined.]
		MVCV252 [Error! Bookmark not defined.]
		MVCV274 [Error! Bookmark not defined.]
		MVCV277 [Error! Bookmark not defined.]
		MVCV278 [Error! Bookmark not defined.]
		MVCV281 [Error! Bookmark not defined.]
		MVCV282 [Error! Bookmark not defined.]
		MVCV283 [Error! Bookmark not defined.]
		MVCV288 [Error! Bookmark not defined.]
		MVCV289 [Error! Bookmark not defined.]
		MVCV299 [Error! Bookmark not defined.]
		MVIC305 [Error! Bookmark not defined.]
		MVIC307 [Error! Bookmark not defined.]
		MVIC308 [Error! Bookmark not defined.]
		MVIC315 [Error! Bookmark not defined.]

		MVIC316 [▶ Error! Bookmark not defined.] MVDC029
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4.1 Index of Business Rules and Error Codes

MVIC309	When the Instructing Party is not the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, <u>or the Settlement Instruction is a cross-CSD sent as already matched to T2S</u> , the Intended Settlement Date of a Settlement Instruction must be equal to or later than the Issue Date of the Security.	sese.023	sese.024	<Rjctd>	DDAT	The Issue Date of the Security is later than the Intended Settlement Date of the Settlement Instruction.
MVIC309	When the Instructing Party is not the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, <u>or the Settlement Instruction is a cross-CSD sent as already matched to T2S</u> , the Intended Settlement Date of a Settlement Instruction must be equal to or later than the Issue Date of the Security.	sese.023	sese.024	<Canc>	CANS	The Issue Date of the Security is later than the Intended Settlement Date of the Settlement Instruction.
MVIC311	When the Instructing Party is not the investor CSD, the technical Issuer CSD or	head.001	sese.024	<Canc>	CANS	The Maturity Date of the Security plus the transformation detection period is

	the Issuer CSD of the ISIN Code specified in a Settlement Instruction, <u>or the Settlement Instruction is a cross-CSD sent as already matched to T2S</u> , the Intended Settlement Date of a Settlement Instruction must be earlier than the Maturity Date of the Security plus the transformation detection period.					earlier or equal than the Intended Settlement Date of the Settlement Instruction.
MVIC311	When the Instructing Party is not the investor CSD, the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, or the Settlement Instruction is a cross-CSD sent as already matched to T2S, the Intended Settlement Date of a Settlement Instruction must be earlier than the Maturity Date of the Security plus the transformation detection period.	head.001	sese.024	<Rjctd>	DDAT	The Maturity Date of the Security plus the transformation detection period is earlier or equal than the Intended Settlement Date of the Settlement Instruction.
MVIC311	When the Instructing Party is not the investor CSD, the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, <u>or the Settlement Instruction is a cross-CSD sent as already matched to T2S</u> , the	sese.023	sese.024	<Canc>	CANS	The Maturity Date of the Security plus the transformation detection period is earlier or equal than the Intended Settlement Date of the Settlement Instruction.

	Intended Settlement Date of a Settlement Instruction must be earlier than the Maturity Date of the Security plus the transformation detection period.					
MVIC311	When the Instructing Party is not the investor CSD, the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, <u>or the Settlement Instruction is a cross-CSD sent as already matched to T2S</u> , the Intended Settlement Date of a Settlement Instruction must be earlier than the Maturity Date of the Security plus the transformation detection period.	sese.023	sese.024	<Rjctd>	DDAT	The Maturity Date of the Security plus the transformation detection period is earlier or equal than the Intended Settlement Date of the Settlement Instruction.
MVIC313	When the Instructing Party is not the investor CSD, the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, <u>or the Settlement Instruction is a cross-CSD sent as already matched to T2S</u> , the Current Business Date must be earlier than the Maturity Date of the ISIN code plus the transformation detection period.	sese.023	sese.024	<Rjctd>	DDAT	The Maturity Date of the Security plus the transformation detection period is earlier or equal than the Current Business Date.

MVIC313	When the Instructing Party is not the investor CSD, the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, <u>or the Settlement Instruction is a cross-CSD sent as already matched to T2S</u> , the Current Business Date must be earlier than the Maturity Date of the ISIN code plus the transformation detection period.	sese.023	sese.024	<Canc>	CANS	The Maturity Date of the Security plus the transformation detection period is earlier or equal than the Current Business Date.
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...

MVDC027	The Instructing Party specified in a Cancellation Instruction must exist in T2S Static Data.	camt.074	camt.075	<Rjctd>	OTHR	The Instructing Party specified in the Cancellation Instruction does not exist in T2S Static Data.
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<u>MVDC028</u>	<u>The Delivering Depository specified in an Already Matched Instruction must exist in T2S Static Data</u>	<u>sese.023</u>	<u>sese.024</u>	<u><Rjctd></u>	<u>OTHR</u>	<u>The Delivering Depository specified in an Already Matched Instruction does not exist in T2S Static Data</u>
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<u>MVDC029</u>	<u>The Receiving Depository specified in an Already Matched Instruction must exist in T2S Static Data</u>	<u>sese.023</u>	<u>sese.024</u>	<u><Rjctd></u>	<u>OTHR</u>	<u>The Receiving Depository specified in an Already Matched Instruction does not exist in T2S Static Data</u>
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...

MVSR708	An already existing Settlement Restriction that fulfils a specific restriction configured by its System Entity with positive Restriction Processing Type 'Rejection' is cancelled.	camt.066	camt.067	<Canc>	CANS	Settlement Restriction cancelled due to a Restriction Type.
<u>MVSR709</u>	<u>A new Already Matched Settlement Instruction that fulfils a specific restriction configured by its Counterpart's System Entity with positive Restriction Processing Type "Rejection" is rejected.</u>	<u>sese.023</u>	<u>sese.024</u>	<u><Rjctd></u>	<u>VALR</u>	<u>Settlement Instruction rejected due to a Restriction Type</u>
<u>MVSR710</u>	<u>An existing Already Matched Settlement Instruction that fulfils a specific restriction configured by its Counterpart's System Entity with positive Restriction Processing Type "Rejection" is cancelled</u>	<u>sese.023</u>	<u>sese.024</u>	<u><Canc></u>	<u>CANS</u>	<u>Settlement Instruction cancelled due to a Restriction Type.</u>

UHB

The following screen should be modified in order to include the information about the CSD of the Instruction that generated the Penalty.

This is needed for LMFPs over already matched cross-CSD Settlement Instructions.

2.2.2.24 Penalty – Details Screen

Penalty		
General Details		
<u>Individual ID</u>	Common ID	<u>Re-allocated to/from penalty</u>
---	---	---
<u>Party BIC</u>	Party Parent BIC	<u>Credit/Debit Indicator</u>
---	---	---
<u>Counterparty BIC</u>	<u>Counterparty Parent BIC</u>	
---	---	
<u>Type</u>	<u>Detection Date</u>	<u>In appeal period</u>
---	---	---
<hr/>		
<u>Amount of the penalty</u>	<u>To be recalculated</u>	
---	---	
<u>Status</u>	<u>Reason</u>	Description
---	---	---
<u>Number of Days</u>	<u>Calculation Method</u>	
---	---	
<hr/>		
Calculation Details		
Date		

<u>Security Subject to Penalties</u>	<u>Cannot be calculated</u>	<u>Reason for not calculation</u>
---	---	---
<u>Financial Instrument Type</u>	<u>Liquidity</u>	
---	---	
<u>Place of Trade Market Identifier Code</u>	<u>SME Growth Market</u>	Security Penalty Rate
---	---	---
<u>Original Currency</u>	<u>Euro Foreign Exchange</u>	EURDKK FX (for pivot)
---	---	---
<u>Sub-amount Securities</u>	Cash Discount Penalty Rate	<u>Sub-amount Cash</u>
---	---	---

Related Settlement Instruction Details		
Actor Reference	Reference owner BIC	Reference owner Parent BIC
...
T2S Reference	T2S Matching Reference	
...	...	
Common Reference	Corporate Action Event Id	
...	...	
Intended Settlement Date	Securities Transaction Type	Already Matched Flag
...
Securities Movement Type	ISIN	Quantity
...
Securities Account Number	Account Owner BIC	BIC of the Depository
...
Settlement Type		
...		
Payment Type Code	Credit/Debit	Amount
...
Dedicated Cash Account Number	DCA Owner BIC	
...	...	
Accepted Timestamp	Matched Timestamp	Failed Reason
...
Cut-off	Cut-off Start TS	Cut-off End TS
...
Removal	Re-include	Re-allocate
Switch	Revisions	SI Details

Field Description

Penalty Details
General Details
...

Related Settlement Instruction Details	
Securities Account Number	Shows the account to or from which a securities entry is made.
Account Owner BIC	Shows the BIC of the Securities Account owner.
BIC of the Depository	Shows the BIC of the CSD of the Securities Account Owner. It is filled only in case of LMFP. Otherwise, it will show “---”.

GFS

The following **GFS v7.2** sections should be modified:

3.4.3.3 Description of the functions of the module:

3- LCMM Instruction Validation:

[...]
[ISIN Code Validation](#)

The sub-function does the following checks related to the ISIN of the instruction processed:

I Eligible ISIN Check

[...]

– The Intended Settlement Date is equal to or later than the Issue Date, unless the Instructing Party is the issuer CSD or the Technical Issuer CSD and the Settlement Instruction is not a cross-CSD sent as already matched to T2S {T2S.05.150};

– When the Instruction Party is not the Investor CSD, the Technical Issuer CSD or the Issuer CSD of the ISIN Code specified in the Settlement Instruction or the Settlement Instruction is a cross-CSD sent as already matched to T2S, the current Business Day should be earlier than the Maturity date of the Security plus the transformation detection period.

– When the Instructing Party is not the Investor CSD, the Technical Issuer CSD or the issuer CSD of the ISIN Code specified in the Settlement Restriction on securities or the Settlement Instruction is a cross-CSD sent as already matched to T2S, the current Business Day should be earlier than the Maturity date of the Security.

[...]

Insolvency Restriction Type validation:

[...]

I In case of Settlement instructions mandated by the Insolvency Liquidator, in order to bypass the rejection, the Instructing Party of the Settlement instruction must be the CSD where the Securities Accounts held and the first four characters of the Common Trade Matching Reference must be the code word "LIQR". Otherwise, the Settlement instruction mandated by the Insolvency Liquidator will be rejected. This means that cross CSD Settlement Instructions sent as already matched to T2S will never bypass the rejection (consequently, the cross CSD Settlement Instructions shall be sent unmatched to T2S by the Insolvency Liquidator).

[...]

Instructing Party Validation:

[...]

I The Instructing Party is authorised to use the counterparty's Securities Account in case of "Already Matched" instruction according to the privileges defined in T2S Static Data {T2S.05.040}.

"In case of Already Matched instructions, the CSD of the Instructing Party of a Settlement Instruction can be different than the CSD of the Securities Account because T2S Actors can send already matched intra-CSD and cross-CSD instructions"

I If the T2S System User does not belong to the Instructing Party of the Inbound LCMM Message or of the LCMM Instruction, then the T2S System User must be authorised to use this Instructing Party (i.e. to instruct on behalf of the Instructing Party).

High level description of Impact:

Outcome/Decisions:

- * CRG meeting of 28 October 2015: The CRG decided to put the Change Request on hold for future Releases. The CRG also agreed to check with XMAP on the potential business cases for the Change Request and to check if XMAP agrees with the scope then could they take ownership of the CR and give indication on urgency of the CR.
- * CRG on 17 October 2016: During the written procedure from 10 - 17 October 2016, the CRG recommended to launch the preliminary assessment on the Change Request from 24 October 2016 to 15 October 2016 (batch 2).
- * OMG on 08 November 2016: During a written procedure from 28 October - 08 November 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request.
- * CRG telco on 16 November 2016: The CRG took note of the T2S functionalities/modules impacted by the Change Request following the 4CB preliminary assessment.
- * CRG on 27 November 2019: The CRG agreed to recommend the CR for authorisation by the T2S Steering Level. Some CRG members expressed concerns about the CR business case and agreed to review these after the detailed

assessment.

* PMG on 28 November 2019: The PMG proposed the allocation of the CR to R5.0 and requested the detailed assessment of CR-383.

* AMI-SeCo on 6 December 2019: The AMI-SeCo concluded to agree to the recommendation of the CRG to propose the CR for CSD/NECSD authorisation.

* CSG on 13 December 2019: The CSG authorised the CR.

* NECSG on 13 December 2019: The NECSG authorised the CR.

* MIB on 19 December 2019: The MIB authorised CR-383.

* CRG on 24 April 2020: The CRG took note of the results of the detailed assessment of CR-383, and agreed to recommend to the PMG the implementation of CR-383 in T2S release 5.0.

* OMG on 28 April 2020: no operational impact was found on CR-383.

* PMG on 4 May 2020: The PMG agreed to the inclusion of CR-383 in the scope of R5.0.

* CSG on 13 May 2020: CSG is in favour of approving the allocation of CR-383 to R5.0.

* NECSG on 13 May 2020: CSG is in favour of approving the allocation of CR-383 to R5.0.

* MIB on 25 May 2020: The MIB approved the inclusion of CR-383 in R5.0.

* CRG on 17 September 2020: the CRG agreed to updates of the wording of the scope defining documents of CR-383.

* OMG on 29 September 2020: The OMG confirmed their earlier operational assessment of CR-383.

* OMG on 1 December 2020: The OMG did not identify any new operational impact of CR-383.

Preliminary assessment:

- **Impacted functionality / module: LCMM**

- **To be considered:**
 - High impact in the validation process: Once the relevant check is performed to avoid that an already matched cross-CSD SI is sent to T2S, the different checks are based in the logic that the counterpart CSD of an already matched SI is always the same CSD. Implementing this CR would imply a revision of all validation checks to update such logic (if present).
 - Due to the impact of this CR (i.e. re-design of T2S core functionality), the actual need/usage of this feature needs to be carefully reconsidered.

No further functional, technical and risk related issues have been identified beyond the elements already described in the Change Request.

EUROSYSTEM ANALYSIS – GENERAL INFORMATION			
T2S Specific Components		Common Components	
LCMM			
x	Instructions validation		
	Status management		
	Instruction matching		
	Instructions maintenance		
x	Penalty Mechanism		
Settlement			
	Standardisation and preparation to settlement		
	Night-time Settlement		
	Daytime Recycling and optimisation		
	Daytime Validation, provisioning & booking		
	Auto-collateralisation		
Liquidity Management			
	Outbound Information Management		
	NCB Business Procedures		
	Liquidity Operations		
T2S Interface (as of June 2022 without Static Data Management, Communication for SDMG, Scheduler, Billing)			
	Communication		
	Outbound Processing		
	Inbound Processing		
Static Data Management (until June 2022)		Common Reference Data Management (from PROD R6.0 June 2022)	
	Party data management		Party data management
	Securities data management		Securities data management
	Cash account data management		Cash account data management
	Securities account data management		Securities account data management
	Rules and parameters data management		Rules and parameters data management
Statistics and archive		Statistics and archive	
	Statistical information (until June 2022)		Short term statistical information
	Legal archiving (until June 2022)		Legal archiving (from PROD R6.0)
			Data Warehouse (from PROD R6.0)
Information (until June 2022 containing reference data)		CRDM business interface (from PROD R6.0 June 2022)	
	Report management		Report management
X	Query management		Query management
			Communication
			Outbound Processing
			Inbound Processing
Operational Services			
	Data Migration (T2S DMT)		Data Migration (CRDM DMT, from PROD R6.0)
	Scheduling (until June 2022)		Business Day Management (from PROD R6.0)
			Business Day Management business interface (from PROD R6.0)
	Billing (until June 2022)		Billing (from PROD R6.0)
			Billing business interface (from PROD R6.0)

	Operational Monitoring		Operational and Business Monitoring

Impact on major documentation			
Document	Chapter	Change	
Impacted GFS chapter	3.4.3.3 Description of the functions of the module (ISIN Code Validation, Insolvency Restriction Type validation and Instructing Party Validation)	<p>Include a remark that Cross CSD instructions can also be already matched.</p> <p>For the ISIN Code Validation, to explain in which cases an already matched cross CSD instructions will not pass successfully the validation checks when comparing the issue date and the maturity date of the security with the current business date or the intended settlement date of the instructions</p> <p>For the Insolvency Restriction Validation, to add a clarification explaining that already matched Cross-CSD instructions sent by the Insolvency Liquidator will not bypass the rejection.</p>	
Impacted UDFS chapter	1.2.5.1 Settlement Instruction 1.6.1.1.3 Validation process 1.6.1.2.2 Overview 4.1 Index of Business Rules and Error Codes	<p>Modify current descriptions to adapt them to the new behaviour, i.e. Cross CSD instructions can also be sent to T2S as already matched:</p> <p>ISIN Code Validation: to explain in which cases already matched cross CSD instructions will not pass the validation checks when comparing the issue date and the maturity date of the security with the current business date or the intended settlement date of the instruction depending on the instructing party of the instruction.</p> <p>Insolvency Restriction Type validation: to add a clarification explaining that already matched Cross-CSD instructions sent by the Insolvency Liquidator will not bypass the rejection.</p> <p>Modify current descriptions to adapt them to the new behaviour, i.e. Cross CSD instructions can also be sent to T2S as already matched:</p> <p>Update some BRs to adapt the description to the new behaviour of T2S</p>	
Additional deliveries for Message Specification			
UHB	2.2.2.24 Penalty – Details Screen	Include the information about the CSD of the Instruction that generated the Penalty	
Links with other requests			
Links	Reference	Title	
OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT			
Summary of functional, development, infrastructure and migration impacts			
Assumptions taken in the Detail assessment (confirmed by CRG):			
<p><u>Penalty Mechanism:</u> The instructing party is the pair of BICs informed in the business application header of the sese.023. In already matched settlement instructions the instructing party is shared by both legs (the two settlement instructions created in T2S).</p>			

In case a Settlement Instruction is sent to T2S as already matched and it is received at a point in time when it is no longer possible to settle it on its ISD, a Late Matching Fail Penalty (LMFP) would apply. For this LMFP, the Instructing Party of the already matched Settlement Instruction will be both the Failing and the non-Failing Party.

- In order to inform the CSD of the Instructing Party about the CSD where the instruction causing the penalty was supposed to settle, a new attribute will be defined in the Penalty Details screen (this attribute was not needed before because the CSD of the Instructing party was always the same as the CSDs involved in the already matched Settlement Instruction)
- It is assumed that this information is not required in the semt.044.

The functionality for re-allocating a LMFPs over already matched Settlement Instruction allows to re-allocate the Penalty from the initially assigned Failing and non-Failing Party (i.e. the Instructing Party of the already matched instruction) to the Delivering Party and the Receiving Party of the instruction (i.e. as the new Failing Party and non-Failing Party or vice versa). Accordingly, the reallocation of a LMFPs may imply that the Penalty is allocated to a Party in a different CSD in case the underlying instruction is an already matched cross-CSD settlement instruction.

- There is no need to update the information reported after a re-allocation of a LMFP over an already matched cross-CSD settlement instruction because the two involved CSDs (CSD of the new Failing Party and the CSD of the new non-Failing Party) are informed i.e.: CSD of the Penalty itself and the CSD of the counterpart of the Penalty (hence the relevant CSDs involved in the underlying instruction are already provided).

Validation Process

The LCMM validation module has to be enhanced to allow Cross CSD already matched settlement instructions entry into the system.

The instructing party remains as the pair of BICs informed in the business application header of the sese.023. In already matched settlement instructions the instructing party is shared by both legs (settlement instructions created in T2S).

Currently, the system entity of this instructing party is taken as reference for performing the Business Validations of both settlement instructions, as both are in the scope of the same system entity, which is ensured thanks to the checks of the business validation.

With this CR, for already matched cross-CSD settlement instructions, it cannot be assumed that the System Entity is unique because in Cross CSD scenarios two CSDs are involved. For that reason it is necessary to recover the System Entity of the counterparty in order to perform the validations to the counterpart leg.

- In case the Depository of the counterparty is a CSD in T2S, this system entity will be derived from the Depository of the counterleg informed in the already matched instruction (i.e. if the already matched settlement instruction is a DELI, the System Entity of the RECE leg of the transaction will be the System Entity of the Receiving Depository and if the already matched settlement instruction is a RECE, the System Entity of the DELI leg of the transaction will be the System Entity of the Delivering Depository).
- In case the Depository of the counterparty is an external CSD, this system entity will be the one of the Instructing Party.

With this implementation, T2S will be able to validate both settlement instructions. Once all validations are passed, both instructions will be handled individually.

In a cross-CSD scenario, if the user has the relevant privileges to send both settlement instructions i.e.:

- Send New Settlement Instruction/Settlement Restriction on Securities either on a Securities Account or on Behalf of an external CSD and
- Send new instruction using a specific Instructing Party

Then, T2S will perform the business validations for each leg of the already matched taking into account the system entity of each leg i.e.:

- For the Instructed leg, the System Entity of the instructing party
- For the counterleg, the System Entity of the relevant depository in T2S.

Duplicate check validation:

In an already matched instruction, when recovering the System entity of the depository of the counterparty informed in the sese.023, if the system Entity is not found this means that the Counterparty's Depository BIC

informed in the instruction does not exist is Static Data. If this is the case, the instruction has to be rejected. 2 new BR of rejection an Error Texts have to be created:

- MVDC028: The Delivering Depository specified in an Already Matched Instruction must exist in T2S Static Data.-->
Error Text: The Delivering Depository specified in an Already Matched Instruction does not exist in T2S Static Data.
- MVDC029: The Receiving Depository specified in an Already Matched Instruction must exist in T2S Static Data.-->
Error Text: The Receiving Depository specified in an Already Matched Instruction does not exist in T2S Static Data.

Instructing party validation:

Currently the function checks that the CSD of the Instructing Party of a Settlement Instruction is the same as the CSD of the Securities Account. This check prevents T2S Actors from sending already matched cross-CSD Instructions, since the CSD of the Instructing Party can be the same as the CSD of one of the Securities Accounts, but not of the other Securities Account.

With the implementation of CR-383 this check will be performed only on the Instructed leg of an already matched cross CSD instruction, so that the CSD of the securities account of the counterparty (i.e. the CSD of the counterpart leg of an already matched instruction) can be different from the CSD of the Instructing party.

It is important to highlight that in already matched cross CSD instructions, it remains mandatory that the CSD of the Instructing Party is equal to the CSD of the Instructed leg (i.e. like it is mandatory for unmatched instructions). Consequently, the instructing party of an already matched cross CSD instruction cannot belong to a "third" CSD.

ISIN Code Validation

Currently, in case the Instructing Party is a CSD, T2S allows instructing before the issue date or on and after the maturity date of an ISIN.

With the implementation of CR-383, this specific case shall not be allowed for cross-CSD already matched settlement instructions since instructing before issue date and on or after the maturity date must be under full control of the CSD owner of the securities accounts impacted by the instruction.

Specific Restriction Validation:

Currently, for already matched instructions, this function check whether the combination of parameters contained in a Settlement Instruction fulfils any rule configured by the CSDs of the instructing party since the CSD has to be the same for both legs of in already matched instructions.

With the implementation of CR-383, as two different CSD can be involved in an already matched instruction, T2S must verify whether the parameters contained in an already matched Settlement Instruction fulfil any rule configured either by the CSD of the instructing party or by the CSD of the counterparty. 2 new Business rules and error texts have to be created for rejecting those Already Matched instructions that fulfils any rule configured by the CSD of the counterparty:

- MVS709: A new Already Matched Settlement Instruction that fulfils a specific restriction configured by its Counterpart's System Entity with positive Restriction Processing Type "Rejection" is rejected.
Error Text: Settlement Instruction rejected due to a Restriction Type
- MVS710: An existing Already Matched Settlement Instruction that fulfils a specific restriction configured by its Counterpart's System Entity with positive Restriction Processing Type "Rejection" is cancelled. Error Text: Settlement Instruction cancelled due to a Restriction Type.

Already Matched amendment, cancellation or hold/release instruction:

There is no impact on these functionalities. If the T2S user has the relevant privileges, in case a Cancellation, Hold/Release or Amendment Instruction refers to a cross-CSD already matched instruction by the T2S Actor Reference, then the maintenance will apply to both Settlement Instructions created in T2S for this already matched as it currently works for intra-CSD already matched Settlement Instructions.

Privileges configuration:

There is no need to introduce new privileges to allow cross-CSD already matched instructions. The existing privileges of "Settlement Instruction Management" can be granted at object level and across system entities (see section 1.3.3.1.8 Data Scope of the UDFS) to allow sending Settlement Instructions or Maintenance Instructions cross-CSD already matched.

Considering a Participant A of CSD A, which has already set up all the privileges to send and instruct settlement instructions to T2S:

The Participant A must be granted (at least) with the following object privilege for sending an already matched settlement instruction with the counterparty being a participant of CSD B (i.e. a cross-CSD already matched instruction):

- Send New Settlement Instruction/Settlement Restriction on Securities either on a Securities Account or on Behalf of an external CSD.

This privilege should be granted from CSD B to CSD A at securities account or at party level allowing users of CSD A to send instructions on the relevant securities account(s) under the scope of CSD B.

Then the CSD A must grant the privilege to its participant, hence allowing users of this participant of CSD A to send instructions on the relevant securities account(s) under the scope of CSD B.

Additionally, in case the Participant A wants to make use of hold functionalities, or any other maintenance feature over an instruction on one (or all) account(s) of Participant B, the relevant privileges must be granted (same way as the one described above)

Penalty mechanism:

In case a Settlement Instruction is sent to T2S as already matched and it is received at a point in time when it is no longer possible to settle it on its ISD, a Late Matching Fail Penalty (LMFP) would apply. For this LMFP, the Instructing Party of the already matched Settlement Instruction will be both the Failing and the non-Failing Party.

- In order to inform the CSD of the Instructing Party about the CSD where the instruction causing the penalty was supposed to settle, a new attribute will be defined in the Penalty Details screen (this attribute was not needed before because the CSD of the Instructing party was always the same as the CSDs involved in the already matched Settlement Instruction).

The functionality for re-allocating a LMFPs over already matched Settlement Instruction allows to re-allocate the Penalty from the initially assigned Failing and non-Failing Party (i.e. the Instructing Party of the already matched instruction) to the Delivering Party and the Receiving Party of the instruction (i.e. as the new Failing Party and non-Failing Party or vice versa). Accordingly, the reallocation of a LMFP may imply that the Penalty is allocated to a Party in a different CSD in case the underlying instruction is an already matched cross-CSD settlement instruction.

- In the execution of the re-allocation, T2S is taking the CSD of both the Failing and the non-Failing Party from the instructing party (because before this CR, they always coincide). This behaviour must be updated so the process takes the CSD of the relevant Party.

Penalty Details Query should display new attribute 'BIC of the Depository'.

Further to the regression testing, Detail testing of penalties over the new Cross CSD already matched settlement instructions and their re-allocation for LMFPs would be required.

Main Cost Drivers:

- The whole business validation process has to be reviewed to ensure that the new information of the system entity of the counterparty instruction is correctly transferred and validated within all the business validations.
- The amendment and cancellation functionalities have to be updated to be able to process cross CSD already matched instructions.
- Penalty mechanism: to update the reallocation functionality for allowing the allocation of a LMFP to a party belonging to a different CSD. Test cases over affected screens and functionalities must be executed.
- The allowance of Already Matched Cross CSD instructions in T2S implies a high number of test cases to test exhaustively the Validation Module, which is highly impacted in the core of its design and definition.
- Before this change it was assumed that the System Entity was the same for both legs in case of already matched instructions, this statement cannot be assumed anymore because in Cross CSD scenarios two CSDs are involved. For that reason an intensive regression test campaign must be executed to check that this new logic is correctly implemented in all Validation Module.

The changes described in this Change Request do not impact TIPS and the CSLD and ECMS projects.

Summary of project risk
n.a.
Security analysis
No adverse effect has been identified during security assessment.



Cost assessment on Change Requests

T2S-383-SYS – Possibility of submitting already matched cross-CSD settlement instructions			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	303,785.26	Euro
Annual	Operational costs		
	- Maintenance costs	25,782.96	Euro
	- Running costs	0.00	Euro

*The relevant assessment costs will be charged regardless of whether the CR is implemented (Cf. T2S Framework Agreement, Schedule 7, par. 5.2.3).