General Information (Origin of Request)		
☐ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		
Request raised by: Eurosystem	**Institute:** Eurosystem	**Date raised:** 29/03/2019
Request title: T2S should allow ECMS to receive the notifications of relocation instructions (sese.032 and sese.025)		**Request ref. no:** T2S-0714-SYS
Request type: Common	**Classification:** 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:** High
Requestor Category: Eurosystem		**Status:** Implemented

Reason for change and expected benefits/business motivation:

The Eurosystem Collateral Management System (ECMS) will provide a harmonised platform for collateral operations across the Eurosystem and will replace the existing systems of the 19 National Central Banks. ECMS will allow changes to the existing collateral framework to be implemented in a harmonised way across the euro area. The launch is planned for November 2023.

Marketable assets used as collateral in ECMS are settled in T2S securities accounts held/controlled by the NCBs as a CSD participant (in case of accounts in the name of the Counterparty and pledged to the NCB, the T2S securities accounts are under CSD participants that are not NCBs). These T2S securities accounts do not have any special attribute to be identified within T2S. These accounts are known by ECMS as they are referenced in its static data.

ECMS shall be able to send Settlement Instructions to T2S on a set of accounts owned either by the Euro NCBs or by Monetary Policy Eligible Counterparties (and pledged to the NCB) in order to perform collateral mobilisations and demobilisations. For that purpose, ECMS needs to be defined as T2S actor to be able to operate in T2S. In order to do so, ECMS should be configured as a "ECMS CSD participant" which would be created in each and every CSD where a NCB has a collateral holding securities account to be instructed by (i.e. relevant for) ECMS.

Additionally, in the context of T2S Central Bank auto-collateralisation operations, ECMS needs to be informed about the postings on the regular accounts for CB auto-collateral relocation transactions that are included in the CMB of the relevant DCA. Parties owners of these Securities Accounts are the NCBs as a CSD participant in case of NCBs defining Repo as the type of autocollateralisation (in case of accounts in the name of the Counterparty and pledged to the NCB, the Securities accounts are CSD participants that are not NCBs). For that purpose, ECMS needs to receive notifications of the creation and settlement of T2S relocation instructions. Relocation instructions are settlement instructions automatically generated by T2S to move the collateral used for the provision of liquidity to the regular accounts held by Central Banks if at the end of day the cash available on the relevant T2S dedicated Cash Account is insufficient to reimburse the pending intraday credit inside T2S and it must be reimbursed through an overnight credit instead.

The relevant messages of relocation instructions that need to be received by ECMS are the following:

- o sese.025. (SecuritiesSettlementTransactionConfirmation)
- o sese.032 (SecuritiesSettlementTransactionGenerationNotification),

With the current message subscription functionality, only the following T2S actors are able to receive these notifications:

- (i) the interested parties (i.e. the Account Owner of the securities account, the Business Sender and the Instructing Party of the settlement instructions and the CSD operating the securities account)
- (ii) "third parties" with the relevant access rights

This current design of T2S does not allow to send these notifications to the new "ECMS CSD participants" because, for relocation instructions, these new participants will not be considered as interested parties. They also cannot be granted with the relevant privileges to be a third party, because they would receive all the possible sese.025, not only the ones related to relocations instructions. In order for the new parties to receive only the notifications related to relocation instructions, a different solution needs to be foreseen.

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Description of requested change:

T2S should be able to define the new ECMS CSD participants as interested parties for the following outbound messages:
   o sese.025 (SecuritiesSettlementTransactionConfrimation)
   o sese.032 (SecuritiesTransactionGenerationNotification)

This new configuration should allow T2S to send these outbound notifications to ECMS only when they are automatically generated by T2S due to the creation and settlement of relocation instructions that implies the mobilization of collateral to the regular accounts held by Central Banks.

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Submitted annexes / related documents:

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Proposed wording for the SYS Change request:

UDFS

The following **UDFS v4.2.** sections should be modified:

1.2.6.5 Securities Accounts

Following passage to be added at the end of the section:

A specific case for using Market-Specific Attributes on Securities Accounts is represented by the possibility to flag a Securities Account as relevant for the Eurosystem Collateral Management System (ECMS). This is necessary in order to identify the Securities Accounts reported to ECMS either because they are owned by Euro NCBs or by Monetary Policy Eligible Counterparties and pledged to the NCB as well as to forward relocation instructions to the relevant ECMS participants in T2S.
Each CSD is responsible for setting up this MSA for their own community and configuring it for the relevant Securities Accounts. The MSA should be configured by all CSDs following the guidelines below:
   o The Attribute domain should be configured as alphanumeric, upper case, with a fixed length of 11 characters and no attribute value.
   o The Market-Specific Attribute itself should be named 'ECMS MSA', with type 'Securities Account' and set as non-unique and non-mandatory.
   For all relevant Securities Accounts, the Market-Specific Attribute should be configured with the BIC of the relevant Party as Attribute Value to indicate the Party to be included for the receipt of outbound messages for relocation instructions.

1.2.6.7 Links between securities accounts and T2S dedicated cash accounts

Table 16 – Central Bank Configuration to include an indication on the configuration of the MSA:

STEP	T2S ACTOR	ACTION	NOTE	MODE
…				
4	CSD	Creation of a new Securities Account to be used as regular securities account for the	This Securities Account is used for collateral relocation during the EoD phase according to the configuration of the Central Bank collateralisation. Possibly, different Securities Accounts can	A2A/U2A

| | | Central Bank collateralization. | be configured as regular Securities Account according to the Central Bank needs. However, only one regular securities account must be defined for a specific Credit Memorandum Balance of a Payment Bank. <u>If this Securities Account is relevant for ECMS, a Market-Specific Attribute is to be configured on it (see sections 1.2.1.7 and 1.2.6.5 for details).</u> | |

1.3.4.1 Message subscription configuration

-To add ECMS as interested party for receiving copies of sese.025 and sese.032 messages of relocation instructions impacting regular accounts.

[…]

TABLE 80 - MESSAGES SUBJECT TO COPIES

MESSAGE DATA					
MESSAGE SET	MESSAGE SUB-SET	ISO MESSAGE NAME	INCOMING/OUTGOING	TECHNICAL MSG. ID.	LIST OF INTERESTED PARTIES
[…]					
S&R	Settlement Instruction	SecuritiesSettlementTransactionConfirmation	outgoing	sese.025	- Business Sender - Instructing Party of the instruction; - Account Owner of the securities account; - CSD operating the securities account; <u>- European Collateral Management System CSD Participant of the CSD operating the securities account for relocation instructions</u>[XXX]
S&R	Settlement Instruction	SecuritiesSettlementTransactionGenerationNotification	outgoing	sese.032	- Instructing Party of the instruction; - Account Owner of the securities account; - CSD operating the securities account; <u>- European Collateral Management System CSD Participant of the CSD operating the securities account for relocation instructions</u>[XXX]
[…]					

New footnote for table 80:

(XXX) SecuritiesSettlementTransactionConfirmation and SecuritiesSettlementTransactionGenerationNotification messages related to relocation only are sent to the European Collateral Management System CSD Participant of the CSD operating the securities account if the relevant CSD has identified the regular securities account for the Central Bank collateralization with the 'ECMS' market specific attribute.

GFS

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

3.4.6.3 Description of the functions of the module:
-To add ECMS as interested parties of sese.025 and sese.032 messages of relocation instructions in the Data collection for messages function of Status Management.

4 – Data Collection for Messages
[..]
The list of interested parties varies depending on the instruction type. E.g. possible interested parties are the following:
l Sender of the instruction;
[..]
l European Collateral Management System (ECMS) CSD Participant (as defined by the MSA on the securities account)

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High level description of Impact:

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Outcome/Decisions:
* CRG on the 4 July 2019: The CRG agreed to launch the preliminary assessment of CR-714.

* CRG on 27 November 2019: The CRG took note of the results of the preliminary assessment of CR-714 and agreed to recommend the CR for authorisation by the T2S Steering Level.

* 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-714.

* PMG on 5 March 2020: The PMG proposed the allocation of this CR to T2S release 5.0.

* CRG on 9 July 2020: The CRG took note of the results of the detailed assessment of CR-714 and agreed to recommend to the PMG its implementation in T2S R5.0.

* PMG on 17 July 2020: The PMG requested the 4CB to reassess the CR with a view to deliver the CR with R5.2

* CRG on 7 August 2020: The CRG recommended to the PMG the implementation of the CR in R5.2

* PMG on 12 August 2020: The PMG recommended to the Steering Level the allocation of the CR to R5.2

* CSG on 18 August 2020: The CSG approved the allocation of the CR to R5.2

* NECSG on 18 August 2020: The NECSG approved the allocation of the CR to R5.2

* MIB on 27 August 2020: The MIB approved the allocation of the CR to R5.2

* OMG on 27 October 2020: The OMG identified no operational impact.

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Preliminary assessment:
  • **Impact:** Medium-low

- **Impacted modules:** LCMM, SETT
- **Findings:**
  - T2S will add the ECMS Participant to the list of Interested Parties in the communication of sese.025 and sese.032 when identifying that these messages are related with the creation and settlement of relocation instructions.
  - ECMS requested the provision of the CR-0714 with T2S Release 5.2.
- **Open issues/ questions to be clarified by the originator:**

None

T2S Specific Components		Common Components	
LCMM			
X	Instructions validation		
X	Status management		
	Instruction matching		
	Instructions maintenance		
	Penalty Mechanism		
Settlement			
X	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 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
EUROSYSTEM ANALYSIS – GENERAL INFORMATION			
Statistics and archive		**Statistics and archive**	
	Statistical information (until June 2022)	X	Short term statistical information
	Legal archiving (until June 2022)	X	Legal archiving (from R6.0)
		X	Data Warehouse (from R6.0)
Information *(until June 2022 containing reference data)*		**CRDM business interface** *(from R6.0 June 2022)*	
	Report management		Report management
	Query management		Query management
			Communication
			Outbound Processing
			Inbound Processing

Operational Services			
	Data Migration (T2S DMT)		Data Migration (CRDM DMT, from R6.0)
	Scheduling (until June 2022)		Business Day Management (from R6.0)
			Business Day Management business interface (from R6.0)
	Billing (until June 2022)		Billing (from R6.0)
			Billing business interface (from R6.0)
	Operational Monitoring		Operational and Business Monitoring
	OMEGA Templates		

Impact on major documentation		
Document	**Chapter**	**Change**
Impacted GFS chapter	3.4.6.3 Description of the functions of the module**:** Data Collection for Messages	To add ECMS as interested parties of sese.025 and sese.032 messages of relocation instructions in the Data collection for messages function of Status Management.
Impacted UDFS chapter	1.2.6.5 Securities accounts 1.2.6.7 Links between securities accounts and T2S dedicated cash accounts	Description of MSA to be configured for ECMS-relevant accounts
	1.3.4.1 Message subscription configuration	The table 80 needs to be updated to include the collateral management system as interested party for relocation instruction (i.e. sese.025 and sese.032). A footnote has to be included to this table to state that the Collateral Management System will only receive the message if the CSD has identify the regular securities account for the Central Bank collateralization with the 'ECMS' market specific attribute.
Additional deliveries for Message Specification		
UHB		
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

The impacts of this change request on the T2S domains/modules are the following:

The implementation of the CR implies that LCMM has to be able to identify relocation transactions in order to include the relevant ECMS participant in the list of interested parties for receiving the sese.025 and sese.032 messages related to the T2S generated relocation instructions.

For that purpose, SETT will have to flag relocation transactions when sending the request to LCMM for the creation of the T2S generated instructions for a relocation solution.

After its successful validation, LCMM will store this flag in the settlement instruction data base when creating the relocation settlement instructions. It is important to point out that for scenarios where realignment process applies, only business collateral instructions are identified with this flag as ECMS doesn´t need the technical

instructions of the realignment process.

Additionally, any time a sese.025 and sese.032 needs to be created, the Status Management module will check if the settlement instruction is flagged as relocation. If this is the case, data collection for messages function will add the relevant ECMS participant to the list of interested parties for receiving these messages only if the relevant credited securities account (i.e. the regular securities account of the Central Bank) has been flagged with the specific Market Specific Attribute (MSA) defined for ECMS accounts in static data.

The identification of the relevant ECMS participant to be defined as interested party will be done by checking the value of the MSA defined for the credited securities account of the relocation instructions.

MSA configuration needed for the identification of the ECMS participant to be added as interested party. It is proposed to reuse the MSA required for CR-680:

- As described in CR-680, for T2S to identify all the relevant securities accounts for ECMS to be reported in the ad-hoc flat file (a set of accounts owned either by the Euro NCBs or by Monetary Policy Eligible Counterparties and pledged to the NCB), CSDs have to configure a dedicated Market Specific Attribute for securities accounts to flag those accounts.
- This MSA must be defined and applied by each CSD to the relevant Securities Accounts under its data scope and would have to be identical across the different CSDs.
- Accordingly it is proposed to make use of this MSA to identify the party to which the relocation outbound messages have to be sent to.
- The possible value for this MSA will be the BIC of the ECMS Participant so that, with this configuration, the CSD flags the securities account and also provides the information on the party to be added by LCMM as interested party for outbound messages of the relocation instruction.

Below, an example of the required MSA configuration (note that the BIC is not yet defined and the one provided in the example is just for representation purposes):

ECMS participant under the scope of a CSD:

To be set up by CSD:

Attribute domain:

- Attribute Domain Name: 'ECMS MSA'
- Description: 'ECMS MSA securities accounts'
- Format: 'alphanumeric'
- Case: 'uppercase'
- Minimum Code Length: '11'
- Maximum Code Length: '11'

Market-Specific Attribute

- Attribute Name: 'ECMS MSA'
- Attribute Type: securities account
- Attribute Domain: 'ECMS MSA'
- Unique: 'NO'
- Mandatory: 'NO'
- Value: 'NCB1XXXXECM' (This is an example. The actual value will depend on the BIC11 of the ECMS technical participant(s) opened by NCBs in that CSD)

Further set of by the CSD: This MSA has to be applied to all the securities accounts relevant for the ECMS participants within the scope of the CSD. Depending on the number of NCBs holding accounts in a particular CSD, these accounts could be opened under different BICs, leading to different values of the MSA depending on the account owner (for instance NCB1XXXXECM, NCB2XXXXECM, etc..)

Since the retrieval of the ECMS participant is based on the value defined for the MSA, If the MSA is not applied to the securities account (or in case its value is not correctly defined by the CSD with the BIC of the relevant ECMS participant), ECMS will not receive the related message.

There is no impact for billing purposes as the related operations will be included in CSD invoices and allocated to ECMS CSD participants.

In order to provide LCMM with the information allowing identifying ACO relocation instructions, SETT will have to

flag a new indicator when sending a request to LCMM through the communication flow, for the creation of the T2S generated instructions for a relocation solution.

Main Cost Drivers:
- Update the creation process of internally generated instructions to store the internal relocation flag to be able to identify the relocation instruction that need to be reported to the ECMS.
- Update the status management functionality to add as interested party the relevant ECMS participant, which is derived from the MSA, if the sese.025 or sese.032 to be generated corresponds to a relocation instruction.

Impact on other TARGET Services and projects

Impact on CSLD: no impact for CLM/RTGS.
No impact has been detected so far on ECMS side.
No impact on TIPS.

Summary of project risk

Security analysis

No adverse effect has been identified during security assessment.

06 August 2020

Cost assessment on Change Requests

T2S-714-SYS – T2S should allow ECMS to receive the notifications of relocation instructions (sese.032 and sese.025)			
One-off	Assessment costs* - Preliminary - Detailed	2,000.00 20,000.00	Euro Euro
One-off	Development costs	405,695.42	Euro
Annual	Operational costs - Maintenance costs - Running costs	 36,873.99 0.00	 Euro 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).