



T2S CHANGE REQUEST FORM		
General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Clearstream	Institute: CSD	Date raised: 02/09/2020
Request title: Enable settlement of custody-related settlement restrictions in NTS Sequence 1		Request No.: T2S 0741 SYS
Request type: Common	Classification: Scope Enhancement	Urgency: Fast-track requested
1. Legal/business importance parameter: High ¹	2. Market implementation efforts parameter: Low ²	
3. Operational/Technical risk parameter: Low ³	4. Financial impact parameter: Medium	
Requestor Category: CSD		Status: Implemented

Reason for change and expected benefits/business motivation:

In the first Night Time Settlement (NTS) cycle, Sequence 1 is dedicated to the settlement of Corporate Actions on Stock. In detail, it contains “*Corporate Actions on stock, new liquidity transfers, new cash Settlement Restrictions and all cash Settlement Restrictions not settled in the previous sequence*” (UDFS v5.2, page 239).

However, T2S settles in this sequence only “*Settlement Instructions related to Corporate Actions (CA) on stock*” (UDFS v5.2, page 252), but it does not include “*Settlement Restrictions related to Corporate Actions (CA) on stock*”.

As a consequence, “*Settlement Restrictions related to Corporate Actions (CA) on stock*” can settle earliest in NTS Sequence 4. In this sequence, they compete in Sequence 4 for resources with all other pending instructions, and this might result in a situation where positions that would have been foreseen for the settlement of “*Settlement Restrictions related to CA on stock*” are taken away by competing settlement activities (see, e.g., INC 252816 Settlement restriction partially settled with unexpected quantity).

To avoid such scenarios, the selection criteria for NTS Sequence 1 should be adjusted to include “*Settlement Restrictions related to CA on stock*” into NTS Sequence 1. This will prevent that the scenario that led to INC 252816 occurs again.

Description of requested change:

Selection criteria for NTS Sequence 1 should be adjusted so that Sequence 1 includes in the future:

- Settlement Instructions **and Settlement Restrictions** related to Corporate Actions (CA) on stock,
- Whereby “*Settlement Restrictions related to CA on stock*” are Settlement Restrictions with the “Corporate Action Event ID” filled.

Following the normal T2S logic, “*Settlement Restrictions related to CA on stock*” should be re-attempted in the subsequent NTS sequences, if they cannot settle in Sequence 1.

Additional remarks:

- The definition of “*Settlement Restrictions related to CA on stock*”, i.e. Settlement Restriction with Corporate Action Event ID filled, is already applied elsewhere in the UDFS, namely in the context of MSU and SUM related validations (UDFS v5.2, page 311).
- It should be noted that the field “Corporate Action Event ID” that qualifies a Settlement Restriction as “*Settlement Restriction for CA on stock*” is not steered by privilege but can be filled by any party having the privilege to instruct a settlement restriction.

¹ Parameters was set to “HIGH” as the change solves incident INC 252816 and thus prevents issues in processing of corporate actions, thus increasing operational stability.

² Parameter was set to “LOW” as the change is optional for T2S Actors, and the implementation would only affect one field in a settlement restriction.

³ Parameter was set to “LOW” as the change does not affect any SLA.

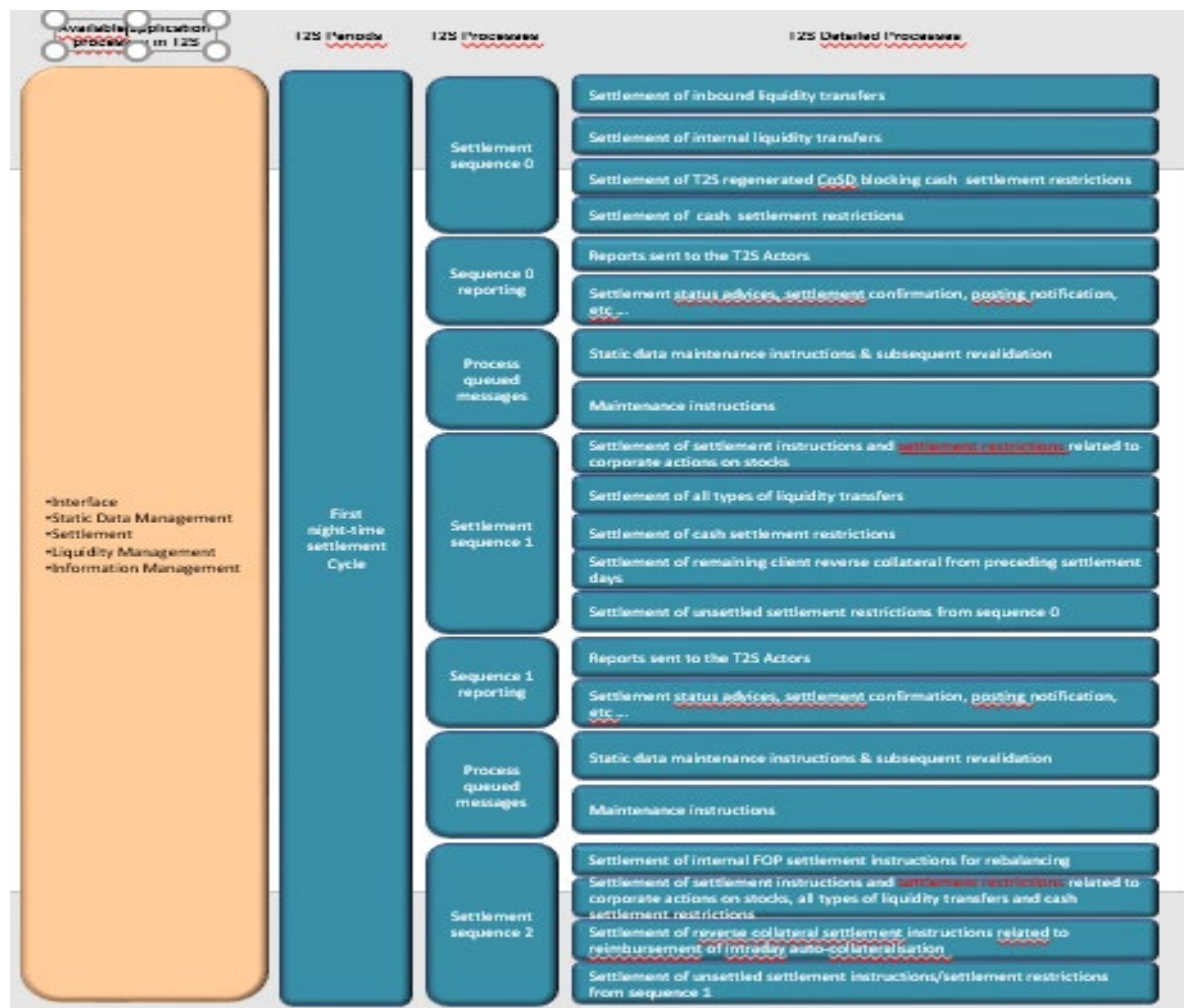
Submitted annexes / related documents:

Outcome/Decisions:

- * CRG on 17 September 2020: CRG members agreed that the requirements of CR-741 were stable and complete and recommended the CR for authorisation by the T2S Steering Level following a fast track procedure.
- * AMI-SeCo on 12 October 2020: The AMI-SeCo agrees with the CRG recommendation of authorisation of CR-741 by the T2S Steering Level.
- * CSG on 15 October 2020: the CSG took the resolution to authorise CR-741.
- * NECSG on 16 October 2020: the NECSG took the resolution to authorise CR-741.
- * MIB on 03 November 2020: the MIB agreed to authorise CR-741.
- * PMG on 19 November 2020: the PMG proposed to allocate CR-741 to R6.0, and launched its detailed assessment.
- * CRG on 24 February 2021: the CRG recommended to the PMG the implementation of CR-741 in R6.0
- * PMG on 26 February 2021: The PMG recommended the inclusion of CR-741 in STP for R6.0 for approval by the Steering Level.
- * OMG on 3 March 2021: the OMG identified no operational impact from the inclusion of CR-741 in R6.0.
- * CSG on 12 March 2021: the CSG approved the inclusion of CR-741 in the scope of R6.0.
- * NECSG on 12 March 2021: the NECSG approved the inclusion of CR-741 in the scope of R6.0.
- * MIB on 15 March 2021: the MIB approved the inclusion of CR-741 in the scope of R6.0.

Documentation to be updated:

UDFS



UDFS, Section 1.4.4.2.4 First night-time settlement cycle processes:

T2S PROCESSES	DESCRIPTION OF THE PROCESSES
Process queued messages	[...]
Settlement sequence 1	<p>Only the following Settlement Instructions, Settlement Restrictions and liquidity transfers validated and accepted by T2S before start of sequence 1 are proposed for settlement:</p> <ul style="list-style-type: none"> - Settlement Instructions and Settlement Restrictions⁴ related to Corporate Actions (CA) on “stocks”; - All liquidity transfers: <ul style="list-style-type: none"> • Inbound liquidity transfers which transfer cash amounts from RTGS accounts to a T2S DCA; • Internal liquidity transfers which transfers cash amounts between two T2S DCA of the same party (or) between two T2S DCA of different party but each T2S DCA linked to the same RTGS account; • Outbound liquidity transfers which transfer cash amounts from T2S DCA to RTGS accounts. - All new cash Settlement Restrictions; - Remaining client reverse collateral from preceding settlement days. <p>This sequence also processes the unsettled Settlement Restrictions from sequence 0.</p> <p>T2S does not attempt Settlement Instructions related to CA on “flows” for settlement during sequence 1.</p> <p>Additionally, T2S responds to queries received via A2A except for queries related to cash balances. If these queries are received via U2A, they are rejected. If T2S receives the queries via A2A, they are queued and processed during the next reporting phase. T2S also queues the maintenance on the Settlement Instructions/Settlement Restrictions which are under settlement during this sequence.</p>
Sequence 1 reporting	[...]

Equivalent adjustments need to be applied to the description of subsequent settlement sequences (which always contain instruction and restrictions not settled in previous sequences), and to the overview picture DIAGRAM 58.

Preliminary assessment:

N.a.

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION

T2S Specific Components		Common Components
LCMM		
X	Instructions validation	
	Status management	
	Instruction matching	
	Instructions maintenance	
	Penalty Mechanism	
Settlement		
X	Standardisation and preparation to settlement	
X	Night-time Settlement	
	Daytime Recycling and optimisation	
	Daytime Validation, provisioning & booking	
	Auto-collateralisation	
Liquidity Management		
	Outbound Information Management	

⁴ I.e. Settlement Restrictions with “Corporate Action Event ID” filled.

	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
Statistics and archive		Statistics and archive	
	Statistical information (until June 2022)		Short term statistical information
	Legal archiving (until June 2022)		Legal archiving (from R6.0)
			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
	MOP Contingency Templates		

Impact on major documentation		
Document	Chapter	Change
Impacted GFS chapter		
Impacted UDFS chapter	1.4.4.2.2 First night-time settlement cycle schedule Diagram 58 – first night-time settlement cycle schedule	Add Settlement Restrictions ⁵ to the wording "Settlement Instructions related to Corporate Actions (CA) on "stocks" in the description of the settlement processes
	1.4.4.2.4 First night-time settlement cycle processes <u>Sequence 1</u> <u>Sequence 2</u> <u>Sequence 3</u>	Add Settlement Restrictions ⁶ to the wording "Settlement Instructions related to Corporate Actions (CA) on "stocks" on the part Settlement sequence Z The outstanding wording proposals descriptions will be provided after start of implementation by the end

⁵ I.e. Settlement Restrictions with "Corporate Action Event ID" filled.

⁶ I.e. Settlement Restrictions with "Corporate Action Event ID" filled.

	<u>Sequence 4</u>	of May 2021.	
	1.4.4.2.7 Last night-time settlement cycle processes		
Additional deliveries for Message Specification (UDFS, MyStandards, MOP contingency templates)			
UHB			
Links with other requests: CR-0742			
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			
<p>SETT must be able to identify Settlement Transactions generated from settlement restrictions on securities related to Corporate Actions on stock in order to select them during the Sequence 1 of the first Night Time Settlement (NTS) cycle. Up to now, SETT relies on the ISO Transaction code attribute of the Settlement Transaction to identify CORP settlement transactions, but this attribute is not present when the settlement transactions are related to settlement restrictions. Settlement Restrictions related to a Corporate Action are identified through the field "Corp Action Event ID", which is filled by the customer in the semt.013.</p> <p>To solve this issue, the internal flow between LCMM and SETT used for creating Settlement Restriction transactions will be enhanced to flag settlement restrictions related to a Corporate Action (i.e. settlement restrictions for which the field "Corp Action Event ID" is filled by the customer in the semt.013).</p> <p>Based on this new information, SETT will store in a new attribute the information received from LCMM while creating the related settlement transaction. The first approach consisting in generating these settlement restrictions with the ISO Transaction Code set to "CORP" has been reconsidered as it could lead to unexpected side effects. On a functional point of view, this attribute is used as a parameter for the management of the Intraday Restrictions process and the CoSD rules which are only specific to settlement instructions. In all other cases, the new attribute will remain empty.</p> <p>The new rule does not concern the cash restrictions settlement transactions as they are already included in the selection during the Sequence 1 of the first Night Time Settlement (NTS) cycle.</p> <p>Main cost drivers:</p> <p>The main cost drivers are related to the development of the new functionality:</p> <ul style="list-style-type: none"> - Modification of the SR interface (addition of a new field) - Modification of several programs and tables to manage this new field - Modification of internal processes in the NTS and in the SKIP NTS <p>4CB will perform comprehensive regression tests as well as dedicated skip NTS tests. 4CB recommend implementation of CR-0741 together with CR-0742 due to technical dependencies.</p>			
Impact on other TARGET Services and projects			
No impact on other Eurosystem Services or Projects (Target2, CSLD, ECMS, TIPS).			
Summary of project risk			
n.a.			
Security analysis			
No adverse effect has been identified during security assessment.			



12 February 2021

Cost assessment on Change Requests

T2S-741-SYS – Enable settlement of custody-related settlement restrictions in NTS Sequence 1			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	340,432.66	Euro
Annual	Operational costs		
	- Maintenance costs	31,861.43	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).