



EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REQUEST FORM		
<b>General Information (Origin of Request)</b> <input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> Iberclear	<b>Institute:</b> CSD	<b>Date raised:</b> 29/11/2022
<b>Request title:</b> Matched Partial Settlement Indicator should be informed in sese.024 when instructions are matched		<b>Request No.:</b> T2S 0799 SYS
<b>Request type:</b> Common	<b>Classification:</b> Scope Enhancement	<b>Urgency:</b> Normal
<b>1. Legal/business importance parameter<sup>1</sup>:</b> Medium		<b>2. Market implementation efforts parameter<sup>2</sup>:</b> Low
<b>3. Operational/Technical risk parameter<sup>3</sup>:</b> Low		<b>4. Financial impact parameter<sup>4</sup>:</b> (provided by 4CB)
<b>Requestor Category:</b> CSD		<b>Status:</b> Withdrawn

**Reason for change and expected benefits/business motivation:**

T2S offers different features which facilitates the possibility to improve the settlement efficiency to the participants. Additionally to partial release, T2S provides partial settlement process when full settlement is not possible due to lack of securities or cash. A Settlement Instruction is partially settled in case there are insufficient securities to settle the full quantity and provided the following conditions are met:

- The partial settlement window is currently running
- The partial settlement threshold criteria are fulfilled
- The Settlement Instructions are eligible to settle partially

The settlement eligibility depends on the conditions set by the T2S parties on their matched Settlement Instructions. A matched pair of Settlement Instructions is eligible to partial settlement, when these Settlement Instructions meet the following conditions:

- They are related to Free Of Payment or to Delivery Versus Payment or Delivery With Payment
- The partial settlement indicator is not set to "No" in any of the Settlement Instructions
- They are not linked to any other Settlement Instruction or Settlement Restriction by the T2S parties by a link type "Before", "After" "With" or by a pool reference.

In case the delivering party allows partial settlement but its counterparty does not allow it, then partial settlement will not be possible and the delivering party will not be aware of it as it will not be informed about the value of the Partial Settlement Indicator resulting from the combination of the values informed by both counterparties.

This lack of information may lead, specially under the CSDR regime, to a situation where the delivering party is being penalized for the total of the undelivered securities, even if it has part of the position available for partial settlement, just because the counterparty does not have the partial settlement indicator activated.

In order to improve the quality of the information that the CSD's participants receive, the approach proposed here is similar to the one used by T2S when there is a discrepancy in the settlement amount of two matched settlement instructions. In this case, the amount that T2S submits for settlement as Matched Settlement Amount is the settlement amount indicated by the delivering party, and it is informed in the corresponding sese.024 messages sent to both counterparties after matching takes place.

Likewise, the value of the partial settlement indicator that T2S will use for settlement, inferred from the values assigned by each party in their settlement instruction, should also be informed in the corresponding sese.024 messages to be sent to both counterparties after matching takes place, e.g. for the abovementioned business

<sup>1</sup> Legal/business importance parameter was set to "Medium" because T2S Actors will benefit from this information by reducing their penalty ratios.

<sup>2</sup> Market implementation effort parameter was set to "Low" as the change does not imply significant changes to T2S Actors.

<sup>3</sup> Operational/technical risk parameter was set to "Low" because it is not expected that this change will have an operational impact on the T2S Actors.

<sup>4</sup> Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

scenario, if the delivering party allows partial settlement but the counterparty does not allow it, the sese.024 received by both counterparties, once matching has taken place, should inform by means of the Partial Settlement Indicator, that the transaction will not be subject to partial settlement.

**Description of requested change:**

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When two settlement instructions are matched, T2S should inform in the corresponding sese.024 message the value of the partial settlement indicator that T2S will use for settlement.

**Submitted annexes / related documents:**

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**Outcome/Decisions:**

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\*CRG on 27 April 2023: the CR initiator agreed to withdraw CR-0799 and to raise a new change request that will be implemented with ISO-CR1779.

**Documentation to be updated:**

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**Preliminary assessment:**

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**Detailed assessment:**

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