1. General Information

CR Raised by: Euroclear SA/NV	**Institute:** Euroclear SA/NV	**Date Raised:** 16/10/09

Change Request Title: Realignment settlement prior to completed settlement on T2S	**CR Ref.:** T2S URD 248

Change Request Classification: Substance	**Status:** Approved by the AG
(Typo, Consistency, Clarification, Substance)	

Change Type: Modification	**Requestor Category:** User
(New Requirement/Modification/Deletion)	*(User, 4CB, ECB T2S Project Team)*

Chapter Number/Annex Number: Chapter 2, Chapter 11, Annex 8	**Req No:**

Priority (S,H,M,L): H	**Proposed Implementation Date/Release:** Version 5.0

Description of Requested Change:

In case of a cross-CSD delivery between 2 Investor CSDs, these Investor CSDs may wish to realign the stock between their respective omnibus accounts at the Issuer CSD (or those of their respective Technical Issuer CSDs) before completing settlement, i.e.:

- Initiate the settlement by blocking the securities;

- Completing the realignment;

- Allow for the completion of Settlement.

This process is the type of process that can be catered for by the COSD. (Technical) Issuer CSD is currently not envisaged as a field in the table used for the configuration of the cases where COSDs must be triggered.

Reason for Change / Expected Benefits / Business Case:

Detailed realignment procedures between all CSDs in T2S may not be in place for all those markets where they are holding positions. There moreover may be specific issues or constraints in a given market that imply risk for the CSDs involved to already allow for final settlement prior to the realignment taking place.

In order to still allow for DVP settlement on a book-entry basis in T2S, adding this case to the CoSD table will allow catering for this case. This can be achieved by adding Issuer CSD as a possible criterion.

Submitted Annexes / Related Documents:

Proposed wording for the Change Request:

The change request reflects scenario 4, URD T2S 02.130 (Scope: Scenario 4 interaction with external CSDs), since the investor CSDs are in T2S while the issuer CSD is outside T2S and there is no conditional settlement.

Initial analysis shows that the standard conditional settlement functionality covers the requirement for T2S blocks settlement until it carries out the realignment if the COSD configuration supports several additional parameters

- BIC of Issuer CSD
- BIC of Delivering CSD in T2S
- BIC of Receiving CSD in T2S

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Change request 242 foresees the implementation of a rules-based, date-dependent COSD configuration rules. If the URM Subgroup approves CR 242, then the URD will require the extension of the COSD parameters, as specified by requirement URD T2S 11.740 as follows:

T2S shall support the following parameters for the configuration of conditional securities delivery:

- ISIN
- Settlement Currency
- CSD
- Securities Account
- Country of Issuance
- Place of Settlement
- Transaction Type
- Issuer CSD in T2S
- Delivering CSD in T2S
- Receiving CSD in T2S
- <u>BIC of Issuer CSD</u>
- <u>BIC of Delivering CSD in T2S</u>
- <u>BIC of Receiving CSD in T2S</u>

And the following amendments to parameter configuration example:

Table 11-26 - Parameter Configuration

Rule Sequence	Country of Issuance	Settlement Currency	Place of Settlement	Transaction Type	Issuer CSD in T2S	Delivering CSD in T2S	Receiving CSD in T2S	ISIN	Securities Account	BIC of Issuer CSD	BIC of Delivering CSD	BIC of Receiving CSD
1	X		X									
	ES		CSD A									
2		X										
		<u>USD</u>										

If the URM Subgroup does not approve CR 242, then the URD will require the extension of the COSD parameters, as specified by requirement URD T2S 11.740 as follows:

T2S shall support the following parameters for the configuration of conditional securities delivery:

- ISIN
- Settlement Currency
- CSD
- Securities Account
- Country of Issuance
- Place of Settlement
- Transaction Type
- Issuer CSD Location
- Deliverer Location

- ▪ Receiver Location
- ▪ <u>BIC of Issuer CSD</u>
- ▪ <u>BIC of Delivering CSD in T2S</u>
- ▪ <u>BIC of Receiving CSD in T2S</u>

And the following amendment to parameter configuration example:

Table 11-26 - Parameter Configuration

Name	Country of Issuance	Settlement Currency	Place of Settlement	Transaction Type	Location Issuer CSD	Location Deliverer	Location Receiver	ISIN	Securities Account	<u>BIC of Issuer CSD</u>	<u>BIC of Delivering CSD</u>	<u>BIC of Receiving CSD</u>
Registration Spain	Spain	-	CSD A	-	-	-	-	-	-			

Outcome of meetings:

*SG Meeting on 18 Nov 2009
Recommendation to the AG: Approval

* AG Meeting on 9-10 Dec 2009
Approval of SG recommendation