



EUROPEAN CENTRAL BANK

EUROSYSTEM

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)		
<b>Request raised by:</b> Clearstream	<b>Institute:</b> CSD	<b>Date raised:</b> 12/04/2017
<b>Request title:</b> T2S should allow and process already matched instructions with deviating settlement parameters on DELI and RECE legs	<b>Classification:</b> Maintenance	<b>Request ref. no:</b> T2S 0658 SYS
<b>Request type:</b> Common	<b>Urgency:</b> Urgent	
<b>1. Legal/business importance parameter:</b> High	<b>2. Market implementation efforts parameter:</b> Low	
<b>3. Operational/Technical risk parameter:</b> Low	<b>4. Financial impact parameter:</b> Medium	
<b>Requestor Category:</b> CSD	<b>Status:</b> Implemented	

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

T2S CR638 "T2S should allow and process already matched instructions which include the counterparty's securities sub-position to be used for settlement purposes" has requested functionality to enable T2S Actors to instruct already matched settlement instructions where a Securities Sub-balance Type can be defined for both legs.

The discussion of this topic in the CRG has shown that this requirement is actually one specific aspect of a wider issue:

- T2S enables T2S Actors to instruct already matched instructions, where DELI and RECE leg can be instructed with one Securities Settlement Transaction Instruction (sese.023)
- However, it is not possible to specify different settlement parameters for both legs. Those parameters apply either equally to both legs (e.g. hold indicator, modification/cancellation allowed flag), or they can be defined only for one leg (e.g. Securities Sub-balance Type)

However, there are various scenarios where it would be quite beneficial for T2S Actors to have the possibility to instruct deviating settlement parameters on both legs:

- Settlement Transaction Type:
  - For the time being, it is only possible to instruct one Settlement Transaction Type in an already matched instruction. Whereas many Settlement Transaction Types occur in logical pairs where the counter-leg should have the corresponding counter-code (e.g. COLI/COLO, SECL/SECB, TRPO/TRVO). As a result, if such codes are used in already matched instructions, one leg contains a code that is functionally wrong.
- Party Hold Indicator:
  - In case CCPs instruct already matched instructions, such instructions should be instructed on party hold for client legs where the settlement takes place on an omnibus account. Currently, it is only possible to instruct both legs on hold or both legs released.
  - Similar needs might occur on the CSD side, e.g. when attempting to instruct transformed instructions with the same hold status as the underlying leg, or in other cancel/re-instruct scenarios where the re-instructed leg should keep the hold status of the cancelled leg (e.g. splitting).
  - For certain types of instructions (e.g. Stock Exchange instructions in Germany), party hold can be applied only on the delivering side. For the time being, it is not possible to instruct such a status combination into T2S.
- Modification/Cancellation Allowed:
  - For certain types of instructions (e.g. Stock Exchange instructions in Germany), modifications such as hold/release can only be applied by the delivering side. For the time being, it is not possible to instruct such a combination of Modification/Cancellation allowed flags in T2S. Instead, certain lifecycle management features can be enabled in ICP mode only.
  - Such demand can also arise for other scenarios where a modification should only be done by one side. An example where such logic already exists for T2S generated instructions is the reimbursement instruction related to auto-collateralisation. Such an instruction is generated with party hold on the Collateral Giver side, and only the Collateral Giver may change the hold status. A T2S Actor, however, would not be able to instruct an already matched instruction with the same features

In the absence of such logic, T2S Actors have to apply costly and/or complex workarounds to achieve the same outcome. The CR aims at avoiding such complexity.

**Description of requested change:****1) ISO Transaction Code**

When T2S Actors instruct in an already matched instruction an ISO transaction code that occurs in pairs (e.g. COLI/COLO, SECL/SECB, ...), then T2S should generate:

- The instructed leg with the instructed ISO transaction code (e.g. DELI leg instructed with COLI)
- The counter-leg with the corresponding paired code (e.g. RECE leg generated with COLO)

The following table gives an overview of the paired ISO transaction codes for which this logic should apply:

ISO Transaction Code of the instructed AM leg	ISO Transaction Code of the T2S generated counter-leg
COLI	COLO
COLO	COLI
SECL	SECB
SECB	SECL
SBBK	BSBK
BSBK	SBBK
REPU	RVPO
RVPO	REPU
TRPO	TRVO
TRVO	TRPO

This logic should apply for both movement types DELI and RECE instructed in the already matched leg. T2S will generate the second leg with the corresponding countermovement (DELI => RECE, RECE => DELI) – this is existing logic - and with the corresponding paired ISO Transaction Code (e.g. DELI COLI => RECE COLO).

This logic shall apply in A2A and U2A mode.

T2S shall use for instruction validation and all subsequent processing steps of the T2S generated counter-leg the derived paired ISO Transaction Code. In particular, the derived paired ISO transaction code shall be considered in case 1 or case 2 rules (e.g. if an already matched DELI leg was instructed with COLI, the RECE leg shall be validated with COLO).

**2) Hold Status**

Currently, the hold indicator can be defined in a settlement instruction by setting the Hold Indicator Flag to TRUE, and by specifying in addition which hold shall apply. For the time being, the following codes are supported:

- PTYH = party hold should be set
- CSDH = CSD hold should be set

In addition to those codes, two new codes shall be supported: BOTH and PRCY. In case an already matched instruction with Hold Indicator set to TRUE is instructed, T2S shall set the hold indicators of the instructed and the T2S generated counterleg as follows:

- PTYH = only the instructed leg is put on Party Hold
- BOTH = both legs are put on Party Hold
- PRCY = only the T2S generated counterleg is put on Party Hold
- CSDH = only the instructed leg is put on CSD Hold

Additional validation rules should be implemented to ensure that:

- Codes BOTH and PRCY can only be used in already matched instructions
- Codes PTYH, BOTH and PRCY are mutually exclusive, i.e. only one (or none) of those codes can be provided

The code CSDH can coexist with any of the three codes, i.e. no specific validation is needed.

When such codes are instructed, then T2S shall generate the instructed leg and the counterleg with the corresponding hold status as described above. Further processing shall then be applied with those hold status. It is not needed to store the values BOTH or PRCY for any T2S internal processing.

In the sese.023 message, it is already possible to provide both codes, within the proprietary branch of the Hold Indicator Code. Thus, the change can be implemented without ISO change<sup>1</sup>, and also without the need to update the T2S customized version of the message (see extract from MyStandards below).

Element	Min	Max
Settlement Parameters	1	1
Hold Indicator	0	1
Indicator	1	1
Reason	0	*
Code	1	1
Code	1	1
Party Hold [PTYH]		
CSD Hold [CSDH]		
Proprietary	1	1
Identification	1	1
Issuer	1	1
Scheme Name	0	1
Textual : CoexistenceIssuerSchemeNameRule		
Additional Information	0	1

  

Identification
<b>Definition</b>
Proprietary information, often a code, issued by the data source scheme issuer.
<b>Multiplicity</b>
[1..1]
<b>Type</b>
Exact4AlphaNumericText (based on string) • pattern: [a-zA-Z0-9]{4}
<b>XML Tag</b>
Id
> Comments

It is suggested to use as Issuer the fixed value "T2S". Scheme Name is not required and thus this attribute can be dropped. With this approach, the code BOTH would be provided as follows:

```
<StlmParams>
  <HldInd>
    <Ind>true</Ind>
    <Rsn><Cd><Prtry>
      <Id>BOTH</Id>
      <Issr>T2S</Issr>
    </Prtry></Cd></Rsn>
  </HldInd>
```

In addition to the A2A channel, the option to differentiate the hold status of both legs of an already matched transaction shall also be provided in U2A. It is not required to exactly replicate the A2A approach. Equivalent implementations are also possible.

### 3) Modification Cancellation Allowed flag:

Currently, the Modification Cancellation Allowed flag can be defined in a settlement instruction by setting the corresponding flag in the message to TRUE (= modification allowed) or FALSE (= not allowed).

In addition to those codes, two new codes shall be supported: NONE and BOTH. In case an already matched instruction with Modification Cancellation Allowed flag is instructed, T2S shall set the corresponding indicators on the instructed and the T2S generated counter-leg as follows:

- TRUE = only the instructed leg can be modified / cancelled
- FALSE = the instructed leg cannot be modified / cancelled, but the T2S generated counter-leg can
- NONE = neither the instructed nor the T2S generated leg can be modified / cancelled
- BOTH = both legs can be modified/cancelled.

Additional validation rules should be implemented to ensure that:

- Codes NONE and BOTH can only be used in already matched instructions

When such codes are instructed, then T2S shall generate the instructed leg and the counter-leg with the corresponding Modification Cancellation Allowed flags as described above. Further processing shall then be applied with those flags as they are set per leg. It is not needed to store the values NONE or BOTH for any T2S internal processing.

<sup>1</sup> In parallel, an ISO update can be triggered. Once the additional codes are included in the standard, the two codes should be provided via the <Cd> and no longer via <Prtry>. However, such ISO upgrade is not a dependency for the implementation of this CR.

In the sese.023 message, it is already possible to provide both codes, within the proprietary branch of the Modification Cancellation Allowed flag. Thus, the change can be implemented without ISO change<sup>2</sup>, and also without the need to update the T2S customized version of the message (see extract from MyStandards below).

> - Settling Capacity	0	1	
> - Settlement System Method	0	1	
> - Tax Capacity	0	1	
> • Stamp Duty Tax Basis	0	1	
> - Tracking	0	1	
> - Automatic Borrowing	0	1	
> - Letter Of Guarantee	0	1	
• Return Leg	0	1	
▼ - Modification Cancellation Allowed	0	1	
• Indicator	1	1	
▼ • Proprietary	1	1	
• Identification	1	1	
• Issuer	1	1	
• Scheme Name	0	1	
Textual : CoexistenceIssuerSchemeNameRule			

**Identification**

**Definition**  
Proprietary information, often a code, issued by the data source scheme issuer.

**Multiplicity**  
[1..1]

**Type**  
Exact4AlphaNumericText (based on string)  
• pattern: [a-zA-Z0-9]{4}

**XML Tag**  
Id

> Comments

It is suggested to use as Issuer the fixed value "T2S". Scheme Name is not required and thus the attribute can be dropped. With this approach, the code NONE would be provided as follows:

```
<StlmParams>
  <ModCxlAllwd>
    <Prtry>
      <Id>NONE</Id>
      <Issr>T2S</Issr>
    </Prtry>
  </ModCxlAllwd>
```

In addition to the A2A channel, the option to differentiate the Modification Cancellation Allowed flag of both legs of an already matched transaction shall also be provided in U2A. It is not required to exactly replicate the A2A approach. Equivalent implementations are also possible.

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#### Submitted annexes / related documents:

N/A

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#### Proposed wording for the Change request:

\*\*\* The current wording proposal is not to be considered as final as it may be subject to changes/updates during the implementation phase of the Change Request. The final wording including the missing UHB Illustration will be provided 6 weeks after the start of the implementation phase of the CR \*\*\*

The following UDFS v4.2 sections should be modified:

##### 1.6.1.1.3 Validation process

Explanation of the new privilege check as the sender must be allowed to use both ISO transaction codes that occurs in pairs in case that send already matched SI.

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<sup>2</sup> In parallel, an ISO update can be triggered. Once the additional codes are included in the standard, the two new codes should be provided via the standard attribute, and no longer via <Prtry>. However, such ISO upgrade is not a dependency for the implementation of this CR.

*Privilege checks validation*

[...]

– If the Depository (Delivering Depository in case a DELI or Receiving Depository in case of a RECE) is an external CSD, the Securities Account is not in T2S and the T2S System User of a Settlement Instruction must be authorised to send a Settlement Instruction on behalf of that external CSD.

– If a Settlement Instruction has the non-modifiable flag activated (i.e. that defines the ability of CSD participants to hold, release, amend or cancel Settlement Instructions), the T2S System User of the Settlement Instruction must be authorised to send a Settlement Instruction with the non-modifiable flag activated.

– The T2S System User of a Settlement Instruction must be authorised to send a Settlement Instruction using the ISO Transaction Code specified in the instruction.

When T2S System User instructs in an already matched Settlement Instruction an ISO transaction code that occurs in pairs<sup>(1)</sup> it must be authorised to use both ISO Transaction Codes.

– The T2S System User of a Settlement Instruction with a Party Hold or a CSD Hold activated must be authorised to perform a Party Hold or a CSD Hold on a specific Securities Account.

[...]

(1) The possible pairs of ISO transaction codes, in both directions, are the following: COLI / COLO; SECL / SECB; SBBK / BSBK; REPU / RVPO; TRPO / TRVO;

**1.6.1.6 Hold and Release**

Add the new scenarios for already matched SI in the following chapter:

**1.6.1.6.2 Overview**

[...]

The Hold/Release Instruction has two hold indicators that can be filled by the T2S Actor:

I “Party Hold”;

I “CSD Hold”.

In order to hold an instruction, the T2S Actor needs to put “Yes” in the relevant hold indicator of the maintenance instruction (Hold Instruction). If the T2S Actor wants to send a Settlement Instruction initially on Hold, the relevant hold indicator must be also filled in. If the T2S Actor sends an already matched Settlement Instruction fulfilling “Yes” in the party hold indicator, it can put only the instructed leg on party hold, only the counter-leg on party hold, or both legs on party hold (using the codes PTYH, BOTH or PRCY). For CSD Hold, in already matched Settlement Instructions, only the instructed leg can be put on CSD Hold.

A Settlement Instruction on Hold can only be released when the relevant T2S Actor that put the instruction on Hold or the relevant CSD sends the corresponding Release Instruction putting “No” in the relevant hold indicator. The T2S Actor only needs to include this change in the Hold/Release Instruction.

[...]

**3.3.8.4 SecuritiesSettlementTransactionInstructionV07 (sese.023.001.07)****3.3.8.4.2 The T2S-specific schema**

Mapping the BRs within the section ‘Business rules applicable to the schema’ as relates to:

- Validation rules regarding the hold statues for already matched instructions
- Validation rules regarding the Modification cancellation allowed flag for already matched instructions

Business rules applicable to the schema

MESSAGE ITEM	DATA TYPE/ CODE	BUSINESS RULES
..		
Code Document/SctiesSttlmTxInstr/TradDtIs /MtchgSts/Cd	MatchingStatus1Code [□□ 2005]	IIMP128 [□□ 1704] IIMP129 [□□ 1704] IIMP143 IIMP144 MVCA105 [□□ 1732] MVCA501 [□□ 1732] MVCA502 [□□ 1733] MVCA503 [□□ 1733] MVCA505 [□□ 1734] MVCA506 [□□ 1734] MVCA507 [□□ 1736] MVCA509 [□□ 1737] MVCA510 [□□ 1738] MVCA511 [□□ 1739] MVCA514 [□□ 1740] MVCA515 [□□ 1741] MVCA516 [□□ 1743] MVCP010 [□□ 1751] MVCP110 [□□ 1774] MVCP124 [□□ 1780] MVCP125 [□□ 1780] MVCP126 [□□ 1780] MVCP127 [□□ 1781] MVCV003 [□□ 1783] MVCV275 [□□ 1805] MVCV278 [□□ 1807] MVCV283 [□□ 1810] MVCV289 [□□ 1812] MVIC316 [□□ 1832] MVIC319 [□□ 1834] MVIC320 [□□ 1835]
..		
Indicator Document/SctiesSttlmTxInstr/SttlmPa rams/HldInd/Ind	YesNoIndicator	IIMP146 IIMP147 MVS702 [□□ 1936]
Indicator Document/SctiesSttlmTxInstr/SttlmPa rams/HldInd/Rsn	RegistrationReason5	IIMP146 IIMP147
Code Document/SctiesSttlmTxInstr/SttlmPa rams/HldInd/Rsn/Cd/Cd	Registration2Code [□□ 2010]	IIMP130 [□□ 1704] IIMP145 MVCP038 [□□ 1757] MVCP124 [□□ 1780] MVCP125 [□□ 1780] MVCP126 [□□ 1780] MVCP127 [□□ 1781] MVS702 [□□ 1936]
Code Document/SctiesSttlmTxInstr/SttlmPa rams/HldInd/Rsn/Cd/Prtry/Id	Exact4NumericText_T2S_HOLD	IIMP130 IIMP143 IIMP145
..		
Indicator Document/SctiesSttlmTxInstr/SttlmPa rams/ModCxlAllwd/Ind/Prtry/Id	Exact4NumericText_T2S_MOD	IIMP144

### 3.3.8.5 SecuritiesSettlementTransactionStatusAdviceV08 (sese.024.001.08)

#### 3.3.8.5.3 The message in business context

Message usage: Accepted with Hold

Message usage example 3: [sese.024.001.08\\_T2S\\_AcceptedAlreadyMatchedWithPTYHFailing\\_Example.xml](#)

Firstly, CSD Participant A (PRTAFRPPXXX) with a securities account "1000000123" in T2S has instructed the delivery

of 50000 securities, ISIN00000001, to the securities account “1000000234” held by counterparty CSD Participant B (PRTBBIC1XXX) belonging to CSD C (CSDCBIC1XXX) versus a payment of 234056 Euros for settlement on the 3/1/2015 (date in the past).The instruction is sent as already matched with the Party hold reason set to PTYH. In this example, T2S sends an accepted status advice as response to the instructed Settlement Instruction indicating the time at what the Settlement Instruction was accepted in T2S. The status advice also informs the accepted, matched and failing status and the T2S Matching reference in the same status advice to inform that its Settlement Instruction has been accepted and put on hold at its acceptance.

The receiving leg of the transaction will receive a status advice informing the accepted, matched and failing status in the same status advice. Subsequently, T2S sends a status advice to inform that the counterparty instruction is on hold.

Message usage example 4: sese.024.001.08 T2S AcceptedAlreadyMatchedWithBOTH Failing Example.xml

Firstly, CSD Participant A (PRTAFRPPXXX) with a securities account “1000000345” in T2S has instructed the delivery of 50000 securities, ISIN00000001, to the securities account “1000000456” held by counterparty CSD Participant B (PRTBBIC1XXX) belonging to CSD C (CSDCBIC1XXX) versus a payment of 234056 Euros for settlement on the 3/1/2015 (date in the past).The instruction is sent as already matched with the Party hold reason set to BOTH. In this example, T2S sends an accepted status advice as response to the instructed Settlement Instruction indicating the time at what the Settlement Instruction was accepted in T2S. The status advice also informs the accepted, matched and failing status and the T2S Matching reference in the same status advice to inform that its Settlement Instruction has been accepted and put on hold at its acceptance.

The receiving leg of the transaction will receive a status advice informing that its Settlement Instruction has been accepted and put on hold at its acceptance. Subsequently, T2S sends a status advice to both legs of the transaction to inform that the counterparty instruction is on hold.

Message usage example 5: sese.024.001.08 T2S AcceptedAlreadyMatchedWithPRCY Failing Example.xml

Firstly, CSD Participant A (PRTAFRPPXXX) with a securities account “1000000678” in T2S has instructed the delivery of 50000 securities, ISIN00000001, to the securities account “1000000789” held by counterparty CSD Participant B (PRTBBIC1XXX) belonging to CSD C (CSDCBIC1XXX) versus a payment of 234056 Euros for settlement on the 3/1/2015 (date in the past).The instruction is sent as already matched with the Party hold reason set to PRCY. In this example, T2S sends an accepted status advice as response to the instructed Settlement Instruction indicating the time at what the Settlement Instruction was accepted in T2S. The status advice also informs the accepted, matched and failing status and the T2S matching reference in the same status advice. Subsequently, T2S sends a status advice to the delivering leg of the transaction to inform that the counterparty instruction is on hold.

The receiving leg of the transaction will receive a status advice informing that its Settlement Instruction has been accepted and put on hold at its acceptance.

Message usage example 6: sese.024.001.08 T2S AcceptedAlreadyMatchedWithCSDHFailing Example.xml

Firstly, CSD Participant A (PRTAFRPPXXX) with a securities account “2000000123” in T2S has instructed the delivery of 50000 securities, ISIN00000001, to the securities account “2000000234” held by counterparty CSD Participant B (PRTBBIC1XXX) belonging to CSD C (CSDCBIC1XXX) versus a payment of 234056 Euros for settlement on the 3/1/2015 (date in the past).The instruction is sent as already matched with the CSD hold reason set to CSDH. In this example, T2S sends an accepted status advice as response to the instructed Settlement Instruction indicating the time at what the Settlement Instruction was accepted in T2S. The status advice also informs the accepted, matched and failing status and the T2S Matching reference in the same status advice to inform that its Settlement Instruction has been accepted and put on hold at its acceptance.

The receiving leg of the transaction will receive a status advice informing the accepted, matched and failing status in the same status advice. Subsequently, T2S sends a status advice to inform that the counterparty instruction is on hold.

**4.1 Index of Business Rules and Error Codes**

Add the new business rules

BR NAME	DESCRIPTION	INBOUND MESSAGE	REPLY MESSAGE	CODE USE	REASON CODE	ERROR TEXT
...	...	...	...	...	...	...

IIMP143	For an unmatched settlement instruction the following codes for the Hold indicator are allowed: -CSDH  -PTYH	sese.023	sese.024	<Rjctd>	OTHR	Reason codes PRCY and BOTH are not allowed for unmatched instructions.
IIMP144	For an unmatched settlement instruction the following codes for the Modificaton Cancellation Allowed flag are allowed: - TRUE - FALSE	sese.023	sese.024	<Rjctd>	OTHR	Reason codes BOTH and NONE are not allowed for unmatched instructions.
IIMP145	For matched settlement instruction Codes PTYH, BOTH and PRCY are mutually exclusive	sese.023	sese.024	<Rjctd>	OTHR	Reason codes PTYH, BOTH and PRCY are mutually exclusive
IIMP146	If settlement instruction has the Hold indicator set to false, no reason code must be informed.	sese.023	sese.024	<Rjctd>	OTHR	No hold reason code must be informed if the Hold indicator set to false.
IIMP147	If the settlement instruction has the Hold indicator set to true, at least a reason code must be informed	sese.023	sese.024	<Rjctd>	OTHR	At least a reason code must be informed if the Hold indicator set to true.
...	...	...	...	...	...	...

The following UHB v4.2 sections should be modified:

**2.2.2.19 Settlement Instruction-New Screen**

Add the new values that the sender can fulfil in the creation of a new Settlement Instruction

General	
...	...
Party Hold Status	Select a hold status as set by the T2S party from the possible values:  <u>I Empty (default value)</u> <u>I PTYH:only the instructed leg is put on Party Hold</u> <u>I PRCY:only the T2S generated counterleg is put on Party Hold</u> <u>I BOTH:both legs are put on Party Hold</u> <u>I On Hold</u> I Released: <u>No hold apply in both legs</u>  References for error messages [ 2284]: I MVCP036 I MVCP092



General	
...	<ul style="list-style-type: none"> <li>  MVCP124</li> <li>  MVCP125</li> </ul> <p>The values selected for the 'Party Hold Status' and 'CSD Hold Status' must be consistent with each other. If one of them is set to 'On Hold', the other one can only be set to 'On Hold' or left empty, but it can never be set to 'Released' and vice versa.</p> <p>...</p>

Detailed Information	
...	...
Allowed Modification Flag	<p>Select, if the modification of the instruction by CSD participants is disallowed from the possible values:</p> <ul style="list-style-type: none"> <li>  Empty (default value)</li> <li>  TRUE: <u>only the instructed leg can be modified / cancelled</u></li> <li>  FALSE: <ul style="list-style-type: none"> <li>- <u>Already Matched SIs: the instructed leg cannot be modified / cancelled, but the T2S generated counter-leg can</u></li> <li>- <u>Unmatched SIs: the instructed leg cannot be modified / cancelled</u></li> </ul> </li> <li>  NONE: <u>neither the instructed nor the T2S generated leg can be modified / cancelled</u></li> <li>  BOTH: <u>both legs can be modified/cancelled</u></li> </ul> <p>  Yes</p> <p>  No</p> <p>Reference for error message [} 2284]:</p> <ul style="list-style-type: none"> <li>  MVCP012</li> </ul>
...	...

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

### 3.4.3 Instruction Validation

The Instruction validation process has to be updated

#### 3.4.3.3 Description of the functions of the module

[...]

## 4 – Instruction Management

[...]

In addition, at the moment of creation of the LCMM Instruction(s) the function performs the following statuses assignment:

| Hold Status assignment: The Party Hold Status or CSD Hold Status of the instructed leg is set to "Yes" when the Inbound LCMM Message includes hold indicator with the value "PTYH" or "CSDH" accordingly specifying that it is On Hold by the T2S Party or the CSD. In case of an already matched Settlement Instruction, the Party Hold Status of the T2S generated counter-leg is set to "Yes" when the Inbound LCMM Message includes hold indicator with the value "PRCY", and both legs, instructed and T2S generated Counter-leg, are set On Party Hold when the inbound LCMM

Message includes the hold indicator with the value "BOTH". The Party Hold Status or CSD Hold Status value to "No" otherwise. Additionally, in case the Inbound LCMM Message comes without the Party Hold Status being informed (i.e. neither Hold Status "Yes" nor "No" have been specified) and the "Hold Release default" value of the Securities Account included in the Settlement Instruction is set to "Yes", the Party Hold Status is automatically set to "Yes".

[...]

According to the general principle DMT (Pending Instruction) shall be updated to include the new values for the Hold Indicator ("PRCY" or "BOTH") and the new values for Modification/Cancellation allowed ("BOTH" or "NONE").

The following **DMT File Format Specification v1.2.9** should be updated as follows:

Add the new values for the Hold Indicator ("PRCY" or "BOTH") and the new values for Modification/Cancellation allowed ("BOTH" or "NONE"):

### 3.1.3 Dynamic Data

#### 3.1.3.5 Pending Instruction

- Record Type : "Pending Instruction"

The record is used to create a pending instruction.

Flat file column	Excel Column	Column Name	Format	Description	Rules	Occurs per Record	Occurs per Group	
...	...	...	...	...	...	...	...	
31	AE	Modification/ Cancellation allowed	Possible values:  I TRUE I FALSE I BOTH I NONE	Description of values :  I TRUE = <u>only the instructed leg can be modified / cancelled</u> I FALSE = <ul style="list-style-type: none"> <li>In Already Matched SIs, the instructed leg cannot be modified / cancelled, but the T2S generated counter-leg can</li> <li>In Unmatched SIs, the instructed leg cannot be modified / cancelled</li> </ul> I BOTH = <u>both legs can be modified/cancelled</u> I NONE = <u>neither the instructed nor the T2S generated leg can be modified / cancelled</u>	<ul style="list-style-type: none"> <li>For an unmatched settlement instruction only the following codes for the Modification Cancellation Allowed are allowed: <ul style="list-style-type: none"> <li>TRUE</li> <li>FALSE</li> </ul> </li> <li>If any value is specified: <ul style="list-style-type: none"> <li>In Already Matched SIs default value is BOTH</li> <li>In Unmatched SIs default value is TRUE</li> </ul> </li> </ul>	0..1		
...	...	...	...	...	...	...	...	
Group "Hold Types"							0.2	
56	BD	Hold Status Types	Possible values:  I CSDH I PTYH I PRCY I BOTH I NONE	Type of hold:  I CSDH = CSD Hold <u>only the instructed leg is put on CSD Hold</u> I PTYH = <u>only the instructed leg is put on Party Hold</u> I PRCY = <u>only the T2S</u>	At least one occurrence must be present if Hold Indicator is present.  If more than one Hold Reason occurs, the same value cannot be repeated within the same Instruction, <u>and only the following combinations are</u>			

...	...	...	...	<p><u>generated counterleg is put on Party Hold</u>  <u>I BOTH = both legs are put on Party Hold</u>  <u>I NONE = Release (i.e. No hold apply in both legs)</u></p> <ul style="list-style-type: none"> <li>If not specified, SAC's default value is applied.</li> </ul>	<p>possible:</p> <ul style="list-style-type: none"> <li>CSDH and PTYH</li> <li>CSDH and PRCY</li> <li>CSDH and BOTH</li> </ul> <p>For an unmatched settlement instruction only the following codes for the Hold indicator are allowed:</p> <ul style="list-style-type: none"> <li>CSDH</li> <li>PTYH</li> </ul>	...	...
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### High level description of Impact:

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#### Outcome/Decisions:

- \* CRG meeting on 24 April 2017: The CRG agreed to put the Change Request on hold.
- \* CRG meeting on 07 June 2017: The CRG recommended to launch the preliminary assessment on the Change Request. The CRG was of the opinion that the Change Request should be classified as 'evolution/enhancement'.
- \* Operational Mangers Group on 19 June 2017: During a written procedure from 9 to 19 June 2017, the Operations Managers Group did not identify any blocking operational impact of the Change Request.
- \* CRG teleconference on 27 September 2017: The CRG kept the Change Request on hold.
- \* CRG on 26 March 2018: The CRG concluded that the requirements of these CRs were stable and complete
- \* PMG on 24 January 2018: The PMG agreed to include CR-658 in R4.0
- \* CRG on the 21 May 2019: The CRG recommends to the PMG the inclusion of this Change Request in R4.0.
- \* OMG on the 22 May 2019: The OMG concluded that this Change Request has no operational impact.
- \* PMG on the 24 May 2019: The PMG recommends the inclusion of this Change Request in R4.0 for approval by the Steering Level.
- \* CRG on the 7 June 2019: The CRG agreed to request an alternative solution for the requirements of CR-658.
- \* PMG on the 7 June 2019: The PMG agreed to launch the detailed re-assessment of CR-658.
- \* CRG on the 4 July 2019: The CRG members took note of the results of the detailed reassessment and agreed recommend to the PMG the inclusion of CR-658 in R4.0.
- \* PMG on the 5 July 2019: The PMG recommended the inclusion of CR-658 in STP for R4.0 for approval by the Steering Level.
- \* OMG on the 8 July 2019: The OMG confirmed its previous operational assessment of the CR.
- \* CSG on the 12 July 2019: The CSG approved the inclusion of CR-658 in STP for R4.0.
- \* NECSG on 12 July 2019: The NECSG approved the inclusion of CR-658 in STP for R4.0.
- \* MIB on the 15 July 2019: The MIB approved the inclusion of CR-658 in STP for R4.0.
- \* CRG on 23 September 2019 (wp): the CRG approves changes to CR-658 to include additional business rules to ensure consistency between the Hold indicator and the Hold reason code
- \* OMG on 27 September 2019: The OMG confirmed their previous assessment.
- \* CRG on 4 March 2020: The CRG agreed to the wording of message examples (status updates).
- \* CSG on 3 April 2020: The CSG approved the updated CR-658 documentation.
- \* NECSG on 3 April 2020: The NECSG approved the updated CR-658 documentation.

- **Impact:** Medium
- **Impacted modules:** INTF, LCMM, LTSI, SETT (MSG)
- **Findings:**
  - The CR-0658 is linked to the CR-0638 for which 4CB already performed a preliminary assessment (*medium impact*). This CR implies the similar changes in T2S but involving different attributes. Therefore it would be beneficial to implement both CRs together (at least for the parts requiring an ISO CR).
  - No changes will be applied to any outgoing message, query response, report or U2A details screen as the attributes are reported at instruction level (i.e. each transaction leg will report its own Settlement Parameters).
  - As agreed in the CRG, T2S shall avoid instructions sent unmatched / to be matched that the relevant attribute for the counterpart is filled in.
- **“Settlement Transaction Type”:** Assuming that the business need is only for two leg transactions (in line with examples provided), we propose to keep the ISO 200022 sese.023 message as it is and implement a new logic in T2S for already matched settlement instructions that will derive the Settlement Transaction Type of the counterpart leg. The logic to be implemented in T2S to derive the relevant code for the counterpart leg will depend on the “Settlement Transaction Type” and “Movement type”) as described in the relevant ISO rules:  
R18 TwoLegTransactionOpeningClosing1Rule and  
R19 TwoLegTransactionOpeningClosing2Rule.

The following table describes the logic to be applied in T2S for the assignment of the “Settlement Transaction Type” to the counterpart Settlement Instruction in case an already matched Settlement Instruction is successfully validated.

The derivation of the codes is only applied for the cases included in the table. The treatment of already matched Settlement Instruction having other “Settlement Transaction Type” codes will not be modified (i.e. both legs will be created having the same code)

Possible Two leg Transaction scenarios	Attributes filled in by the User in the incoming already matched Settlement Instruction (these attributes are inherited by the relevant leg of the SI)		Logic applied in T2S to assign the applicable "Settlement Transaction Type" to the counterpart leg created by T2S upon the successful validation of the incoming Already Matched Settlement Instruction	
	"Securities Movement Type"	"Settlement Transaction Type"	"Securities Movement Type"	"Settlement Transaction Type"
SELL-BUY BACK (sell and buy)	DELI	SBBK	RECE	BSBK
	RECE	BSBK	DELI	SBBK
SELL-BUY BACK (sell back and Buy back)	DELI	BSBK	RECE	SBBK
	RECE	SBBK	DELI	BSBK
COLLATERAL INITIATION (Out initiation and In initiation)	DELI	COLO	RECE	COLI
	RECE	COLI	DELI	COLO
COLLATERAL RETURN (Out initiation and In initiation)	DELI	COLI	RECE	COLO
	RECE	COLO	DELI	COLI
REPO and REVERSE REPO	DELI	REPU	RECE	RVPO

(opening )	RECE	RVPO	DELI	REPU
REPO and REVERSE REPO (closing)	DELI	RVPO	RECE	REPU
	RECE	REPU	DELI	RVPO
TRYPARTY REPO AND TRIPARTY REPO REVERSE (opening)	DELI	TRPO	RECE	TRVO
	RECE	TRVO	DELI	TRPO
TRYPARTY REPO AND TRIPARTY REPO REVERSE (closing)	DELI	TRVO	RECE	TRPO
	RECE	TRPO	DELI	TRVO
SECURITIES LENDING AND SECURITIES BORROWING (initiation )	DELI	SECL	RECE	SECB
	RECE	SECB	DELI	SECL
SECURITIES LENDING AND SECURITIES BORROWING (return )	DELI	SECB	RECE	SECL
	RECE	SECL	DELI	SECB

- **Open issues/ questions to be clarified by the originator:**

- The CR only refers to changes in sese.023 while a Settlement Instruction can also be sent to T2S via U2A mode (Settlement Instruction New screen). 4CB assumption is that the update needs to be applied in all mentioned communication modes.
- Analysis of the alternative solution proposed above for the “Settlement Transaction Type” and for “Party Hold Status”.
- The logic implemented as part of CR532 (“Hold/release default at account level should not override the Hold/Release indicator defined at instruction level”), in order to analyse the combination of the “hold indicator”, “holds type” and “Hold/Release default indicator”, may need to be updated if this CR is implemented. This analysis would be performed in the Detailed Assessment of this CR.

## EUROSYSTEM ANALYSIS – GENERAL INFORMATION

<b>Impact On T2S</b>	<b>Static data management</b>		<b>Interface</b>	
		Party data management		Communication
		Securities data management		Outbound processing
		T2S Dedicated Cash account data management	X	Inbound processing
		Securities account data management		
		Rules and parameters data management		
	<b>Settlement</b>		<b>Liquidity management</b>	
		Standardisation and preparation to settlement		Outbound Information Management
		Night-time Settlement		NCB Business Procedures
		Daytime Recycling and optimisation		Liquidity Operations
		Daytime Validation, provisioning & booking	<b>LCMM</b>	
		Auto-collateralisation	X	Instructions validation
				Status management
	<b>Operational services</b>		Instruction matching	
	X	Data Migration		Instructions maintenance
		Scheduling	<b>Statistics, queries reports and archive</b>	
		Billing		Report management
		Operational monitoring		Query management
			X	Statistical information
			X	Legal archiving
		All modules (Infrastructure request)		
		No modules (infrastructure request)		
		Business operational activities		
	Technical operational activities			

<b>Impact on major documentation</b>			
<b>Document</b>	<b>Chapter</b>	<b>Change</b>	
Impacted GFS chapter	GFS: 3.4.3 Instruction Validation	Instruction validation has to be updated.	
Impacted UDFS chapter	1.6.1.1.3 Validation process 1.6.1.6 Hold and Release	Update the privilege check validation section and add the new hold/release scenarios for already matched SI.	
	3.3.8.4.2 The T2S-specific schema  4.1 Index of Business Rules and Error Codes	Add the new business rules to the Business rules applicable to the schema table.  Add the new business rules	
Additional deliveries for Message Specification	SecuritiesSettlementTransactionInstruction V07 (sese.023.001.07)	MyStandards update to allow for the new codes required for the hold status and Modification cancellation allowed flag within already matched instructions.	
UHB	2.2.2.19 SettlementInstruction-New	Add "PTYH", "PRCY" and "BOTH" attributes for Party hold Add "BOTH" and "NONE" attribute for Allowed Modification Flag.	
Other documentations	DMT specifications		
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
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LCMM must be enhanced:

- To validate already matched SI when ISO transaction code fulfilled occurs in pairs (i.e. one for the instructed leg and the corresponding pair for the counter-leg )
- To allow the instructing party to set a differentiated party hold status for instructed leg and counter-leg in already matched Settlement Instructions
- To allow the instructing party to set a differentiated Modification Cancellation Allowed flag for instructed leg and counter-leg in already matched Settlement Instructions

New business rules need to be implemented for unmatched settlement instructions in INTF (sese.023) regarding Hold Indicator and Condition modification.

Business Rule IIMP130 needs to be updated regarding the "Reason" block.

New Business Rule for matched settlement instructions (sese.023) regarding Hold Indicator: Codes PTYH, BOTH and PRCY are mutually exclusive

New business rules need to be implemented to ensure the correct usage of Hold Indicator and Reason block.

The MyStandards documentation for SETT message sese.023 has to be updated

**Main Cost drivers:**

- A new configuration of the sese.023 is necessary, this will allow the user to instruct already Matched instructions with different information for each leg (i.e. ISO Transaction Code in pairs, new codes for the reporting of the Hold Status (BOTH and PRCY) and also new codes for the reporting of the Modification Cancellation Flag (BOTH and NONE)). This implies a new logic in the validation and split the messages (i.e. Deli/Rece) in T2S domains, new business rules and also the screens are affected.
- Testing activities will be executed to ensure that the new logic implemented in T2S works as design, and already matched instructions are correctly validated and split in both legs.

Summary of project risk
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None.

Security analysis
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No adverse effect has been identified.



02 July 2019

## Cost assessment on Change Requests

<b>T2S-658-SYS – T2S should allow and process already matched instructions with deviating settlement parameters on DELI and RECE legs</b>			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	20,000.00	Euro
One-off	Development costs	298,225.73	Euro
Annual	Operational costs		
	- Maintenance costs	27,025.47	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).