General Information (Origin of Request)		
☐ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		
Request raised by: 4CB	**Institute:** 4CB	**Date raised:** 13/06/2016
Request title: Recycling includes arrival of new collateral resources		**Request ref. no:** T2S 0618 SYS
Request type: Common		**Urgency:** Fast-track
1. Legal/business importance parameter: High		**2. Market implementation efforts parameter:** Low
3. Operational/Technical risk parameter: Low		**4. Financial impact parameter:** No cost impact
Requestor Category: 4CB		**Status:** Authorised at Steering Level

Reason for change and expected benefits/business motivation:

With the introduction of massive recycling in T2S, collateral was included among the resource used when recycling pending instructions. This was the result of market requests to allow for the recycling of pending instructions with the arrival of securities within positions earmarked for auto-collateralisation. Implementing this as a dynamic feature should be extended to the settlement T2S Recycling and Optimisation module.

Currently T2S recycles pending instructions with the arrival of cash or securities and any limit increases. This list of new resources should also include securities made available for auto-collateralisation allowing to recycle instructions pending for lack of cash.

By including collateral as a new resource within the recycling and optimisation module, pending instructions can immediately take advantage of auto-collateralisation without waiting for the next scheduled massive recycling. This allows for a more efficient and rapid use of available resources.

_____

Description of requested change:

The recycling function within the Recycling and Optimisation module recycles instructions pending due to a lack of securities upon the arrival of securities enabling their settlement. It also recycles instructions pending due to a lack of cash upon the arrival of cash enabling their settlement or when a limit increase has occurred.

Additionally the function should also recycle instructions pending due to a lack of cash at the arrival of securities that can be used as collateral, both for client or central bank collateralisation, to provide the missing cash resources.

Any securities newly made available within positions earmarked for auto-collateralisation by the settlement of Settlement instructions or Settlement instructions should be considered as potentially new collateral resources for the settlement of pending instructions.

The T2S documentation should be updated to specify that new resources triggering recycling include not only cash, securities for delivery and limit increases but also securities delivered in positions earmarked as available for collateral.

_____

Submitted annexes / related documents:

_____

Proposed wording for the URD Change request:

GFS v5.1
3.5.7.2 Daytime Recycling and Optimisation / Description of the module, page 406
This module runs during the daytime period only. It receives the result of a settlement attempt as a Collection Status Information.

When the result consists in a failure, the module triggers the optimisation functions. They combine this new fail with previous ones in order to build a new settable collection. In such a case, they propose the collection for a new settlement attempt in the Daytime Validation, Provisioning and Booking module.

When the result consists in a success, the module triggers the Recycling function. It identifies and proposes for a new settlement attempt, in the Daytime Validation, Provisioning and Booking module, Settlement Transactions that have failed during a previous settlement attempt and could profit from the new resources (cash, securities for delivery, securities in positions earmarked available for collateral) {T2S.07.090} {T2S.08.080}.

3.5.7.1 Daytime Recycling and Optimisation / Recycling, page 407
The Recycling function (function 6) aims at identifying and sending to the Daytime Validation, Provisioning and Booking module a collection of Settlement Transactions that are impacted by any newly settled Settlement Transaction (providing cash, securities for delivery or securities in positions earmarked available for collateral) or by any limit increase. This impacts both new resources provided, with limit increase being considered as a new resource, and the possibility to settle previously constrained Settlement Transactions (e.g. a Settlement Transaction with a link "after" waiting for the settlement of a Settlement Transaction with a link "before"). Additionally, the Recycling function may be triggered in order to recycle all the pending Settlement Transactions (Massive recycling).

UDFS v2.1

1.4.4.4 Real-time settlement (RTS), page 250
This section presents the real-time settlement processes in the T2S settlement day. The real-time settlement period starts after the end of the night-time settlement and is followed by the end of day period.
In case the NTS completes before 3.00 a.m., real-time settlement period begins before the start of the maintenance window at 3.00 a.m.
- The real-time settlement period includes:
- The real-time settlement preparation;
- The real-time settlement with the two partial settlement windows to optimise maximum value and volumes of settlement transactions, which are unsettled because of lack of securities:
    o The first partial settlement window between 2:00 p.m. and 2:15 p.m.;
    o The second partial settlement window is 15 minutes before the beginning of the DVP cut-off time, then between 3.45 p.m. and 4.00 p.m.

The previously unsettled Settlement Instructions and Settlement Restrictions from night-time settlement are attempted for settlement in the real-time settlement period with the arrival of new resources (securities for delivery, securities in positions earmarked available for collateral, or cash, or both). Additionally T2S performs a settlement attempt for any new intraday Settlement Instructions, Settlement Restrictions and liquidity transfers validated and accepted during real-time settlement period;

1.6.1.8.2 Posting / Overview, page 337
Settlement Instructions, Settlement Restrictions and Liquidity Transfers, sent by the T2S Actors or automatically generated by T2S, are submitted to the posting application process at the Intended Settlement Date.
They can be submitted to the posting application process individually or grouped with other Settlement Instructions or Settlement Restrictions or Liquidity Transfers due to links set by T2S Actors or by T2S application processes (See section Linked Instructions [☐ 450]).

For Settlement Instructions, Settlement Restrictions and Liquidity Transfers that are submitted to the posting application process in a group, settlement is performed on an all-or-none basis (i.e. all Settlement Instructions, Settlement Restrictions or Liquidity Transfers submitted together are all settled or unsettled).

In case of failure after this first settlement attempt, Settlement Instructions are submitted again to the posting application process, according to the reason for failure, after:
- The removal of an intraday restriction;
- The release of hold Settlement Instructions;

- The arrival of the missing linked Settlement Instruction(s) or Settlement Restriction(s);
- The increase of a limit amount;
- The posting of incoming resources (cash, securities for delivery, securities in positions earmarked available for collateral, limit headroom after a selling).

…

_____

High level description of Impact:

_____

Outcome/Decisions:

* OMG on 16 June 2016: During the OMG meeting on 16 June 2016, OMG indicated that there was no operational impact of the Change Request.

* CRG teleconference on 17 June 2016: The CRG recommended the approval of the Change Request and its addition to the T2S Release 1.1.5.

* Advisory Group on 29 June 2016: Following a written procedure from 23 to 29 June 2016, the AG was in favour of approving the Change Request and including it in T2S Release 1.1.5 baseline.

* CSD Steering Group on 30 June 2016: Following a written procedure from 23 to 30 June 2016, the CSG adopted the resolution to approve the Change Request and to include it in T2S Release 1.1.5 baseline.