General Information (Origin of Request)		
☐ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		

Request raised by: CSDs	Institute: CSDs	Date raised: 17 October 2013
Request title: Replace dependency of static data updated on auto-collateralisation eligibility by a time-based approach		Request ref. no: T2S 0435 SYS
Request type: Common		Urgency: Fast- track
1. Legal/business importance parameter: Critical		2. Market implementation efforts parameter: Low
3. Operational/Technical risk parameter: Low		4. Financial impact parameter: Low
Requestor Category: CSD		Status: Authorised at Steering Level

Reason for change and expected benefits/business motivation:

According to UDFSv1.2.1 page 575, any update of Securities attributes Minimum Settlement Unit, Settlement Unit Multiple, Deviating Settlement Unit or Settlement Type is allowed only under one of the two following conditions:

- the update applies to a security created on the current settlement day;
- the update applies to a security created before the current settlement day and not eligible for auto-collateralisation since the start of day.

The second condition implies that, in case of securities eligible for auto-collateralisation, the CB needs to delete the auto-collateralisation eligibility link in order to allow the static data update as of the next settlement day.

Business background of the second condition is that the reimbursement of the intraday credit must be ensured, and the cancellation of reverse collateral on the same day of its creation must be prevented. Therefore the static data change cannot be applied while re-imbursement instructions are pending.

However, the implementation of this condition has some side effects:

- SMEs cannot apply static data updates resulting out of corporate actions on securities that would require static data changes (e.g. partial redemptions), as long as the security is eligible for at least one NCB.
- If the SME attempts a modification of such a security, it will be rejected
- As the SME will not be informed about the remaining eligibility links, he has to bilaterally contact all NCBs in T2S to request them to remove the eligibility links for the affected ISIN.
- With a view on the expected volumes of Corporate Actions that would require static data changes, such a manual procedure will lead to massive additional workload, and to massive delay in the execution of Corporate Actions.
- Until such static data updates are applied, securities settlement in T2S would be affected by wrong, not yet updated static data (e.g. wrong minimum settlement unit in case of partial redemptions), potentially leading to incorrect rejections of settlement instructions in T2S, with impact on all T2S Actors.

On the other hand, the business background of the condition can be achieved by other means which do not have these side effects:

- During the Real Time Settlement Closure Process, T2S will re-imburse all pending reverse collateral instructions, so that at the end of the T2S day no pending reverse collateral instructions are left.
- New reverse collateral instructions are only generated during the Night Time Settlement of the next processing date.
- In between these two activities, there are no pending reverse collateral instructions in the system, and thus there would be a time window where such updates can be applied.

It is therefore requested to replace the condition on the eligibility links by a functionally equivalent one, which does not have the drawbacks: Static Data Updates of securities eligible for auto-coll will be applied during EOD processing only.

(It should be noted that the solution would still imply that pending re-imbursement instructions related to Client-Collateralisation might be cancelled by T2S after the change of static data. How such cases should be avoided, or, in case they cannot be avoided, should be dealt with, is subject to a clarification in the MOP, as already outlined in CR321, page 2).

Description of requested change:

Drop the conditions that NCBs need to delete the eligibility links. Introduce an equivalent condition that updates on securities with auto-coll eligibility for at least one NCB will be queued during the day, and executed only during the EOD process.

Submitted annexes / related documents:

Proposed wording for the Change request:

Adjust footnote 190 on page 575, section 1.6.3.3.3 Validity of static data objects

190 In order to ensure the reimbursement of the intraday credit and prevent the cancellation of reverse collateral on the same day of its creation, any update of Securities attributes Minimum Settlement Unit, Settlement Unit Multiple, Deviating Settlement Unit or Settlement Type is allowed only under one of the two following conditions:

- the update applies to a security created on the current settlement day;
- the update applies to a security created before the current settlement day and not eligible for auto-collateralisation since the start of day.

~~The second condition implies that, in case of securities eligible for auto-collateralisation, the CB needs to delete the auto-collateralisation eligibility link in order to allow the static data update as of the next settlement day.~~

The second condition implies that, in case of securities eligible for auto-collateralisation, T2S will queue the security update and only apply it during EOD procedure of the current day.

(*to be filled in by 4CB from the document changes*)

High level description of Impact:

Outcome/Decisions:

* CRG meeting of 24 October 2013: The CRG decided to put the Change Request on hold as further discussions are required. The CRG also decided to have a Telco to discuss the CR before the CRG meeting of 16 December 2013.

* CRG Teleconference of 26 November 2013: The CRG decided to launch the detailed assessment of the Change Request.

* CRG meeting of 10 February 2014: The CRG recommended the approval of the Change Request.

* Advisory Group's advice on 12 March 2014: Following a written procedure from 6 to 12 March 2014, the AG was in favour of the Change Request.

* CSG resolution on 12 March 2014: Following a written procedure from 6 to 12 March 2014, the CSG adopted the resolution to approve the Change Request.

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

Impact on major documentation		
Impacted GFS chapter		
Impacted UDFS chapter	1.6.3.3.3 Validity of static data objects	Amend footnote 190 depending on the chosen behaviour
	3.3 Catalogue of messages 4.1 Index of Business Rules and Error Codes	Amend business rules depending on chosen solution
Additional deliveries for Message Specification		
UHB	2.5.2.7 (Security – New/Edit Screen) 4.4 (References for Error messages)	Introduction of the modifications to the business rule in the relevant sections.
External training materials		
Other documentations		
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

Currently, a business rule blocks any Security update containing changes to at least one of Minimum Settlement Unit, Settlement Unit Multiple, Deviating Settlement Unit or Settlement Type when both of the following conditions are met:
- the Security was not created during the current business date (i.e. the same date as the update attempt)
- the Security is defined as eligible for auto-collateralisation in T2S (i.e. at least one Auto-collateralisation Eligibility Link referencing this Security exists and is active).

The solution will amend this business rule to add a condition which allows these updates to be performed during the End of Day period. In addition, the business rule will be modified to ensure that update requests of this kind sent outside of the End of Day period are not rejected but queued.

A new mechanism will be introduced to trigger the processing of queued instructions; for this purpose a new event should be added to the standard schedule of the settlement day in order to process queued SDMG instructions during the End of Day period.

SDMG instructions will continue being processed on an all-or-nothing basis, meaning that if an instruction contains changes to the attributes/entities listed above alongside others, and is consequently rejected or queued, all of the changes in the instruction will be rejected or queued together.

The current version of the CR does not require any changes in the billing functionality. Therefore, no impact on billing is foreseen.

Summary of project risk

Considering that the development will be carried out in parallel of the EAT, there is a risk that this change request is not ready for the start of the User Testing.

Security analysis

No security impact (do not entail any additional costs related to the implementation of security controls).

COST ASSESSMENT ON CHANGE REQUEST

T2S-0435-SYS (Replace dependency of static data updated on auto-coll eligibility by a time-based approach)		
Project phase costs (total)	62,020.30	in Euro
Running costs (annual average over cost recovery period)	5,737.57	in Euro