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| <b>General Information (Origin of Request)</b>  |  |  |
| <input checked="" type="checkbox"/> User Requirements (URD)<br><input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS) |  |  |
| <b>Request raised by:</b> CASG  | <b>Institute:</b> ECB  | <b>Date raised:</b> 25/07/2012                 |
| <b>Request title:</b> Disallow instructions from all T2S actors with ISD before issuance date   |  | <b>Request ref. no:</b> T2S 0349 URD           |
| <b>Request type:</b> Common   |  | <b>Urgency:</b> Normal                         |
| <b>1. Legal/business importance parameter:</b> H  | <b>2. Market implementation efforts parameter:</b> L                               |  |
| <b>3. Operational/Technical risk parameter:</b> L   | <b>4. Financial impact parameter:</b> (H, M, L)<br><i>(to be filled in by 4CB)</i> |  |
| <b>Requestor Category:</b> ECB  |  | <b>Status:</b> Rejected by Change Review Group |

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

Currently all T2S actors are allowed to send settlement instructions before, on or after the issuance date of an ISIN with an ISD on or after the issuance date (UR T2S.05.150). In addition, technical issuer CSDs/ issuer CSD of an ISIN are allowed to send instructions before, on or after the issuance date of an ISIN with an ISD before the issuance date of the ISIN (UDFS 1.2.1). Investor CSDs/ CSD participants are therefore not allowed to send settlement instructions to T2S with an ISD before the issuance date.

Several CSDs have raised a concern that the business validations in T2S do not allow investor CSDs to instruct settlement instructions in T2S with intended settlement date (ISD) before issuance date of an ISIN. This issue was referred to the T2S CASG. The CASG has discussed two options to address this issue in a mini-consultation.

The first option is to disallow all T2S Actors from sending settlement instructions with ISD before issuance date. As mentioned above, this does not prevent any party from sending technical housekeeping instructions before the issuance date of an ISIN (only after it is created in T2S by the Securities Maintaining Entity) with an ISD equal to the issuance date which should support the multiplicity of existing issuance practices. Such issuance instructions, if identified as "CORP", will settle in sequence one of the first settlement cycle on the issuance date which is in compliance with current market practices.

The second option that was discussed by the T2S CASG is to allow all CSDs (including Investor CSDs) to instruct with ISD before issuance date. However, no valid business case was found to support the need to instruct with ISD before issuance date. In current market practices, issuance instructions are settled at the start of business on the issuance date as there cannot be postings on securities accounts before the issuance date of an ISIN.

Therefore, the guidance of the CASG on the issue resulting from the mini-consultation was to go for the first option i.e. to disallow all T2S Actors from sending settlement instructions with ISD before issuance date.

**Description of requested change:**

The change will disallow all T2S actors from instructing settlement in T2S with ISD before issuance date. All CSDs including issuer CSDs should make use of the settlement sequences 1, 2, 3, 4 during the night-time settlement (NTS) in T2S, to settle the issuance related instructions as of the issuance date. The instructions related to issuance (including the ones for issuance preparation or technical housekeeping instructions) should be sent to T2S with an ISO transaction code "CORP".

**Submitted annexes / related documents:**

**Proposed wording for the URD Change request:**

The URD should be modified as follows:

**Issuing date check**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.150 |
|---------------------|------------|

In the case of securities traded on grey markets, T2S shall check that the intended settlement date is identical to or later than the intended issue date. ~~This check shall not apply for technical housekeeping instructions sent by the issuer CSD (e.g. to prepare for issuance).~~

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**High level description of Impact:**

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**Outcome/Decisions:**

CRG meeting of 1-2 October 2012: The Change Request is discarded.