

## 1. General Information

**CR Raised by:** Process Efficiency Subgroup **Institute:** ECB **Date Raised:** 24/09/09

**Change Request Title:** Configuration of restriction types for national legal and regulatory requirements and practices **CR Ref.:** T2S URD 0225

**Change Request Classification:** Substance **Status:** Approved by the AG

(Typo, Consistency, Clarification, Substance)

**Change Type:** Modification, New Requirement, Deletion **Requestor Category:** T2S Subgroup

(New Requirement/Modification/Deletion)

(User, 4CB, ECB T2S Project Team)

**Chapter Number/Annex Number:** Chapter 5, Chapter 11, Chapter 16  
**Req No:** T2S.05.125, T2S.05.126, T2S.05.127, T2S.05.128, T2S.05.260, T2S.05.365, T2S.05.403, T2S.05.528, T2S.11.650, T2S.11.651, T2S.11.652, T2S.11.653, T2S.11.654, T2S.11.660, T2S.11.661, T2S.11.662, T2S.11.663, T2S.11.664, T2S.11.670, T2S.11.680, T2S.11.690, T2S.11.691, T2S.11.692, T2S.11.693, T2S.11.694, T2S.11.750, T2S.11.760, T2S.11.770, T2S.11.780, T2S.11.790, T2S.11.800, T2S.11.810, T2S.16.750, T2S.16.760, T2S.16.813

**Priority (S,H,M,L):** M

**Proposed Implementation Date/Release:** Version 5.0

### Description of Requested Change:

In September 2009, the AG approved the proposal of the Subgroup on Process Efficiency to introduce additional functionality in order for T2S to support CSDs additional validation rules.

- T2S is to support the use of generic ISO message items in T2S messages for the instructing party to inform the CSD of specific information;
- T2S is to support a T2S processing status (CSD Validation Hold) in the market-specific restriction profile to set a settlement instruction from a directly connected party on hold automatically to support additional external validation by a CSD.

Additionally, the configuration parameters of instruction type and transaction code are to be aligned with the ISO 20022, i.e. the replacement of *Instruction Type* with attributes Securities Movement Type and Payment and the replacement of *Transaction Code* with *Transaction Identification*.

### Reason for Change / Expected Benefits / Business Case:

The subgroup identified limited number of market-specific validations

- which are based on information for which an ISO field is not defined;
- or which require a CSD to execute certain tasks locally prior to the settlement of the underlying instruction.

Such functionality is required to allow market participants from these specific markets to use direct technical connectivity as well as to allow market participants from other markets to invest into such securities via their CSDs. The proposed corrections will support the consistent interpretation of the related user requirements and used terms.

### Submitted Annexes / Related Documents:

T2S Advisory Group – meeting on 23 September 2009 (point 6.4 SG on Process Efficiency)

<http://www.ecb.europa.eu/paym/t2s/progress/ag/html/mtg6.en.html>

**Proposed wording for the Change Request:****1. Modification of requirement T2S.05.125 as follows:****Restriction check**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.125 |
|---------------------|------------|

~~T2S shall check the market-specific restriction that may be applicable to the securities account, security, T2S dedicated cash account, securities position, cash amount and T2S party of the instruction. T2S shall validate the applicable restrictions are in line with the information contained in the instruction. The market-specific restrictions are described in the requirement T2S.11.650 and T2S.11.750.~~

T2S shall check whether a restriction type applies to the settlement instruction or to an instruction for an intra-position movement to determine its further processing in T2S by checking whether the information from instruction matches to a rule and parameter defined in any of the restriction types. If the validation process finds a match for a restriction type, then validation shall apply restriction type according to its configuration and shall perform no subsequent checking of any rules and matrices for that restriction type.

**2. New requirements T2S.05.126, T2S.05.127 and T2S.05.128 to provide additional clarification on processing market-specific restriction types in LCMM:****Automatic hold of instruction for additional validation or processing by the CSD**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.126 |
|---------------------|------------|

T2S shall hold a settlement instruction or an instruction for an intra-position movement including T2S internal generated realignment instructions automatically for additional validation or processing by the CSD when the settlement instruction fulfils predefined conditions of a restriction type (see section 11.10.4 - Restriction Processing Type = "CSD Validation Hold"), requiring T2S to hold the settlement instruction. Both the settlement instruction and the intra-position movement in T2S shall support a dedicated attribute *CSD Validation Hold/Release Status* to manage the CSD validation hold and release independently from the CSD hold and release. T2S shall only allow the CSD that defined such restriction for itself to release the settlement instruction.

**Rejection of instruction based on market-specific restriction**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.127 |
|---------------------|------------|

T2S shall reject a settlement instruction or an instruction for an intra-position movement automatically when the settlement instruction fulfils predefined conditions of a restriction type of a CSD, requiring T2S to reject the settlement instruction (see section 11.10.4 - Restriction Processing Type = "Rejection").

**Acceptance of instructions where the parties, accounts or securities are blocked from settlement**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.128 |
|---------------------|------------|

T2S shall accept a settlement instruction or an instruction for an intra-position movement when a specific restriction blocks from settlement

- the T2S dedicated cash account through a restriction on the NCB as a party operating the T2S dedicated account;
- the T2S dedicated cash account through a restriction on the RTGS account to which the T2S dedicated cash account is linked;
- the T2S dedicated cash account through a restriction on the settlement bank/payment bank owning the T2S dedicated cash account;
- the T2S dedicated cash account;
- the security;
- the securities account through a restriction on the CSD as a party operating the securities account;
- the securities account through a restriction on the CSD participant as a party operating the securities account;
- or the securities account.

3. Deletion of requirement T2S.05.260 as this CR defines the specific requirements that enable CSDs to perform their specific the processing and validation, when required.

**Check for regulatory/supervisory requirements**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.260 |
|---------------------|------------|

T2S shall perform any validation required by the authorities (to combat money laundering, terrorist financing, etc.) for settlement in accordance with T2S Principle 5.

4. Modification of requirement T2S.05.528 to specify that T2S must also validate realignment instructions:

**Cross-CSD settlement identification for when a matched pair of settlement instructions**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.528 |
|---------------------|------------|

When T2S receives a matched pair of settlement instructions, it shall check whether the instructions are requiring realignment instructions on other accounts (e.g. on the accounts of the issuer CSD). When T2S identifies the need to realign, T2S shall generate the required realignment instructions, based on the cross-CSD links in static data, at the same moment it creates the matched pair of settlement instructions. T2S shall validate the realignment instruction and automatically link all settlement instructions to ensure all-or-none settlement.

5. New requirement in Chapter 5.4.2, titled “Amendment of instructions”, requiring the identification of a previous CSD validation hold:

**Automatic CSD-validation-hold based on market-specific restriction on amended instruction**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.05.403 |
|---------------------|------------|

When a directly connected party changes the fields of a settlement instruction that are not process indicators, then T2S shall identify during the validation of the amendment instruction whether a CSD validation hold applied to the original settlement instruction. When this is the case, then T2S shall reset the CSD validation status to “hold”.

6. Replacement of sections 11.10.4 and 11.14 with the new section 11.10.4 on “Restriction Types” as documented below and resulting in the deletion of the following requirements:

- T2S.11.650;
- T2S.11.660;
- T2S.11.691;
- T2S.11.692;
- T2S.11.750;
- T2S.11.760;
- T2S.11.770;
- T2S.11.780;
- T2S.11.790;
- T2S.11.800;
- T2S.11.810;

**11.10.4 Restriction Types**

An objective of T2S and of market participants is to achieve harmonised securities account structures as well as harmonised validations and processing of settlement instructions. Nevertheless, T2S must support the T2S Operator, CSDs and NCBs with the capability to provide specific validations and processing of settlement instructions to fulfil legal, regulatory and supervisory requirements in the markets that they service. Therefore, T2S will allow the T2S Operator, CSDs and NCBs to define their own restriction types. Restriction types are attributes that define the specific processing characteristics for a securities position, cash balance, securities account, T2S dedicated cash account, party or settlement instruction to ensure configurability of specific requirements, as prescribed by national legal and regulatory requirements and practices.

## Functional Processing Requirements

### Configuration of restriction types

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.661 |
|---------------------|------------|

T2S shall support the rules-based, date-dependent configuration of restriction types by the T2S Operator, CSDs and NCBs. T2S shall support the following parameters for the configuration of restriction types:

- Securities movement type (receive or deliver);
- Payment (free or against);
- Transaction identification;
- Party type of the account owner
- Party type of the party instructing on behalf of the account owner;
- Specific party;
- Security Identifier
- One or more CSD-specific securities attributes;
- One or more CSD-specific securities account attributes;
- And/or a combination values for the same CSD-specific attribute for a securities account: one for the receiving account and the delivering account to restrict certain types of settlement instructions and instructions for intra-position movements between securities accounts.

### Configuration of restriction types, applying to all CSDs and NCBs in T2S

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.666 |
|---------------------|------------|

T2S shall allow the T2S Operator to define harmonised restriction types that shall be used by all CSDs and NCBs. All changes to the harmonised restriction types shall be subject to the approval through the T2S change management process.

### Restriction processing types

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.662 |
|---------------------|------------|

T2S shall support a *Restriction Processing Type* to enable the configuration of restrictions.

- Rejection:  
Reject a settlement instruction validation (see T2S.05.126);
- CSD Validation Hold  
Set the CSD validation status automatically to "hold" when accepting a settlement instruction (see T2S.05.127);
- Reservation:  
Create a reservation of a cash balance or securities position for a specific purpose;
- Blocking:  
Block of a party, securities account, security or T2S dedicated cash account from settlement (see T2S.05.128);
- Balance Type / Earmarking:  
Define and manage position types for securities positions and balance types for cash balances.

### Configuration of type of restriction profile

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.663 |
|---------------------|------------|

T2S shall support for the specification of a restriction type whether the defined configuration represents a positive or negative set of parameters. A positive parameter set shall specify the rules and combinations of attributes, requiring T2S to apply the restriction. A negative parameter set shall specify the rules and combinations of attributes for which T2S should not apply a restriction.

### Configuration of rules and matrices for restriction types

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.664 |
|---------------------|------------|

Rules for restriction types shall define the sequence in which T2S will apply a logical set of parameters to determine whether a restriction applies. The restriction matrix will define the specific parameter values within a rule that T2S will compare to identify whether a restriction applies. T2S shall allow authorised users to

- Add new rules for a restriction type;
- Reorder the sequence of rules for a restriction type;
- Delete rules for a restriction type if the user has deleted all occurrences under that rule;
- Add and delete matrices in a rule.

#### Adding a restriction type

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.670 |
|---------------------|------------|

It shall be possible for an authorised system user to add a restriction type in T2S. T2S shall provide a function for the CSD or NCB system administrator to enter the attributes of and rule and matrices for the restriction type. A user can add a new restriction type valid as of a day in the future.

#### Updating a restriction type

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.680 |
|---------------------|------------|

It shall be possible for an authorised system user to update an existing restriction type by selecting it for update. A authorised system user of a CSD or NCB can update a restriction type valid as of a day in the future.

#### Deleting a restriction type

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.690 |
|---------------------|------------|

It shall be possible for an authorised system user to delete logically a restriction type as of a date in the future by setting its valid to date. However, T2S shall not allow an authorised system user to delete a restriction type assigned to and still active for a T2S party, securities account, T2S dedicated cash account, security or position.

#### Adding a market-specific securities attribute to a restriction type

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.693 |
|---------------------|------------|

T2S shall allow an authorised system user to add one or more predefined market-specific securities attributes to the list of parameters for the configuration of a restriction type (section 16.8.11).

#### Adding a market-specific securities account attribute to a restriction type

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.694 |
|---------------------|------------|

T2S shall allow an authorised system user to add one or more predefined market-specific attribute of a securities account to the list of parameters for the configuration of a restriction type (section 16.8.11). T2S shall allow an authorised user to add the same pre-defined market-specific securities account attribute twice to the list of parameters. Depending on whether the restriction profile is positive or negative, T2S shall interpret such a combination to define whether a restriction on a transaction between two accounts, having a given combination of the market-specific securities account attributes, applies.

### Data Model Requirements

#### Restriction Type Entity

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.11.651 |
|---------------------|------------|

T2S shall support a rules-based, date-dependent data model for the configuration of restriction types. The following table defines the attribute requirements for specifying the characteristics of a restriction. T2S shall store the definition of the restriction type and rule sets for each restriction type. T2S shall differentiate rule sets within a system entity by a valid-from date. Each rule within a rule set shall have a sequence, which defines the order in which T2S shall process a rule. The conceptual entity *Restriction Type* will link the rules, defined in T2S for the restriction configuration to one related set of rules.

**Table 11-19 – List of Attributes for the Entity Restriction Type**

| Attribute              | Description |   |
|------------------------|-------------|---|
| System Identifier      | Entity      | This attribute shall specify the CSD or the NCB for which the restriction type is valid.  |
| Restriction Identifier | Type        | This attribute shall define the unique technical identifier of a restriction type in T2S.   |
| Restriction Type       |             | This attribute shall specify a code that identifies the restriction. T2S shall allow CSDs or the NCBs to configure their own types. |

| Attribute                         | Description   |
|-----------------------------------|---|
| Restriction Description           | This attribute shall specify a text description of the restriction.   |
| Valid From                        | This attribute shall specify the date from which the restriction type is valid.   |
| Valid To                          | This attribute shall specify the date to which the restriction type is valid.   |
| Object Restriction Type           | <p>This attribute shall specify whether the restriction applies to a security, securities account, securities position in a securities account, T2S dedicated cash or cash amount in a T2S dedicated cash account. T2S shall use this attribute in the application logic to identify and trigger the required validations. Valid object restriction types are:</p> <ul style="list-style-type: none"> <li>• Securities account</li> <li>• Security</li> <li>• T2S dedicated cash account</li> <li>• Securities position</li> <li>• Cash amount</li> <li>• Party</li> <li>• Settlement instruction</li> <li>• System entity</li> </ul>   |
| Restriction Processing Type       | <p>This attribute specifies how T2S shall apply the restriction in processing.</p> <ul style="list-style-type: none"> <li>▪ Rejection: Rejection in settlement instruction validation (see T2S.05.126)</li> <li>▪ CSD Validation Hold: Setting the CSD validation status automatically to “hold” when accepting a settlement instruction (see T2S.05.127)</li> <li>▪ Reservation: Creating a reservation of a cash balance or securities position for a specific purpose</li> <li>▪ Blocking: Blocking of a party, securities account, security, T2S dedicated cash account, securities position or cash balance (see T2S.05.128)</li> <li>▪ Balance Type / Earmarking: Define and manage position types for securities positions and balance types for cash balances.</li> </ul> <p>Please refer to the glossary for the definition of the terms “Blocking” and “Reservation”.</p> |
| Positive / Negative Parameter Set | This Boolean attribute specifies whether the rules and matrices for the restriction type represent a positive or negative set of parameter. A positive parameter set shall specify the rules and combinations of attributes, requiring T2S to apply the restriction. A negative parameter set shall specify the rules and combinations of attributes for which T2S should not apply a restriction.  |

#### Adding market-specific attributes to a restriction type

| Reference ID | T2S.11.652 |
|--------------|------------|
|--------------|------------|

T2S shall enable an authorised T2S system user to add one or more market-specific attributes of a security or a securities account to a restriction type to enable the configuration of rules and matrices, based on these assigned market-specific attributes.

**Table 11-19a– Attribute requirements for the assignment of a market-specific attributes for securities and securities accounts to a restriction type**

| Attribute                                       | Description  |
|---|--|
| Market-Specific Attribute Assignment Identifier | This attribute shall define the unique technical identifier of a value for a market-specific securities attribute for a restriction profile. |
| Restriction Identifier Type                     | This attribute shall specify the unique technical identifier of the restriction type for which the rule applies.                             |
| System Identifier Entity                        | The system entity identifier shall define a CSD or the T2S operator to which the configuration applies.                                      |

| Attribute                            | Description   |       |             |   |   |   |  |   |   |   |              |
|--------------------------------------|---|-------|-------------|---|---|---|--|---|---|---|--------------|
| Market-Specific Attribute Identifier | This attribute shall define the unique technical identifier of the market-specific attribute definition, as defined in table 16-32.   |       |             |   |   |   |  |   |   |   |              |
| Debit Credit                         | <p>When a user assigns a market-specific party or securities account attribute to the restriction type, applying to a settlement instruction, this attribute shall specify whether the market-specific party or securities account attribute refers to the instruction that debits or credits the securities or to both.</p> <p>When a market-specific party or securities account attributes applies, regardless of whether the securities leg of the instruction is in debit or credit, then the user can add it only once to the market-specific restriction type.</p> <p>The attribute shall not be applicable in for market-specific securities attributes. T2S shall internally set a default value indicating that the attribute is not relevant.</p> <table border="1"> <thead> <tr> <th>Value</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>The market-specific party or securities account attribute applies to the securities leg of the settlement instruction in credit</td> </tr> <tr> <td>D</td> <td>The market-specific party or securities account attribute applies to the securities leg of the settlement instruction in debit</td> </tr> <tr> <td>B</td> <td>The market-specific party or securities account attribute applies to both the securities leg of the settlement instruction in debit and in credit</td> </tr> <tr> <td>X</td> <td>Not relevant</td> </tr> </tbody> </table> | Value | Description | C | The market-specific party or securities account attribute applies to the securities leg of the settlement instruction in credit | D | The market-specific party or securities account attribute applies to the securities leg of the settlement instruction in debit | B | The market-specific party or securities account attribute applies to both the securities leg of the settlement instruction in debit and in credit | X | Not relevant |
| Value                                | Description   |       |             |   |   |   |  |   |   |   |              |
| C                                    | The market-specific party or securities account attribute applies to the securities leg of the settlement instruction in credit   |       |             |   |   |   |  |   |   |   |              |
| D                                    | The market-specific party or securities account attribute applies to the securities leg of the settlement instruction in debit  |       |             |   |   |   |  |   |   |   |              |
| B                                    | The market-specific party or securities account attribute applies to both the securities leg of the settlement instruction in debit and in credit   |       |             |   |   |   |  |   |   |   |              |
| X                                    | Not relevant  |       |             |   |   |   |  |   |   |   |              |

#### Restriction Type Rule Entity

| Reference ID | T2S.11.653 |
|--------------|------------|
|--------------|------------|

T2S shall enable an authorised T2S system user to define a set of rules for a restriction type by adding one or more rules and specifying the sequence in which T2S should check the rules. Each rule shall define the criteria that apply for that rule. The conceptual entity *Restriction Type Rule* shall define the individual rules of a rule set.

**Table 11-19b– - List of Attributes for the Entity Restriction Type Rule**

| Attribute                            | Description  |
|--------------------------------------|--|
| Restriction Type Rule Identifier     | This attribute shall specify the unique technical identifier of a message subscription rule.   |
| Restriction Type Identifier          | This attribute shall specify the unique technical identifier of the restriction type for which the rule is.  |
| System Entity Identifier             | The system entity identifier shall define a CSD or the T2S operator to which the configuration applies.  |
| Rule Sequence                        | This attribute shall define the order in which T2S shall process the rule.   |
| Securities Movement Type             | This attribute shall store a Boolean value indicating whether the specification of a securities movement type is a valid criterion for the rule.   |
| Payment                              | This attribute shall store a Boolean value indicating whether the specification of a payment type is a valid criterion for the rule.   |
| Transaction Identification           | This attribute shall store a Boolean value indicating whether the specification of the transaction identification is a valid criterion for the rule.   |
| Party Type                           | This attribute shall store a Boolean value indicating whether the specification of a party type is a valid criterion for the rule.   |
| Specific Party Identifier            | This attribute shall store a Boolean value, indicating whether the specification of a specific party is a valid criterion for the rule.  |
| Security Identifier                  | This attribute shall define the unique technical identifier of a security in T2.   |
| Market-specific attribute identifier | This is a placeholder for any number of market-specific attributes, where a Boolean value for each market-specific attribute indicates whether the specification of the market-specific attribute is a valid criterion for the rule. |

#### Restriction Type Matrix Entity

|              |            |
|--------------|------------|
| Reference ID | T2S.11.654 |
|--------------|------------|

T2S shall store matrix entries for a rule in a rule set. A matrix entry shall define an occurrence of a valid set of values, specifying the actual criteria against which the T2S must validate a settlement instruction to determine if a restriction type applies.

**Table 11-19c– - List of Attributes for the Entity Restriction Type Matrix Entry**

| Attribute                            | Description  |       |             |      |                 |      |                                    |
|--------------------------------------|--|-------|-------------|------|-----------------|------|------------------------------------|
| Restriction Type Matrix Identifier   | This attribute shall specify the unique technical identifier of an entry in the message subscription matrix.   |       |             |      |                 |      |                                    |
| Restriction Type Rule Identifier     | This attribute shall specify the unique technical identifier of a message subscription rule.   |       |             |      |                 |      |                                    |
| System Entity Identifier             | The system entity identifier shall define a CSD or the T2S operator to which the configuration applies.  |       |             |      |                 |      |                                    |
| Securities Movement Type             | This attribute shall specify a valid value from the list of valid values for the attribute <i>Securities Movement Type</i> . This attribute shall specify a value only when the Boolean value in underlying rule defines the attribute as a valid criterion.<br><br><table border="1"> <thead> <tr> <th>Value</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>RECE</td> <td>Receive</td> </tr> <tr> <td>DELI</td> <td>Deliver</td> </tr> </tbody> </table>                   | Value | Description | RECE | Receive         | DELI | Deliver                            |
| Value                                | Description  |       |             |      |                 |      |                                    |
| RECE                                 | Receive  |       |             |      |                 |      |                                    |
| DELI                                 | Deliver  |       |             |      |                 |      |                                    |
| Payment                              | This attribute shall specify a valid value from the list of valid values for the attribute <i>Payment</i> . This attribute shall specify a value only when the Boolean value in underlying rule defines the attribute as a valid criterion.<br><br><table border="1"> <thead> <tr> <th>Value</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>APMT</td> <td>Against payment</td> </tr> <tr> <td>FREE</td> <td>Free of payment / separate payment</td> </tr> </tbody> </table> | Value | Description | APMT | Against payment | FREE | Free of payment / separate payment |
| Value                                | Description  |       |             |      |                 |      |                                    |
| APMT                                 | Against payment  |       |             |      |                 |      |                                    |
| FREE                                 | Free of payment / separate payment   |       |             |      |                 |      |                                    |
| Transaction Identification           | This attribute shall specify a valid value from the list of valid values for the attribute <i>Transaction Identification</i> . This attribute shall specify a value only when the Boolean value in underlying rule defines the attribute as a valid criterion.   |       |             |      |                 |      |                                    |
| Party Type                           | This attribute shall specify a valid value from the list of valid values for the attribute <i>Party Type</i> as defined in party reference data. This attribute shall specify a value only when the Boolean value in underlying rule defines the attribute as a valid criterion.   |       |             |      |                 |      |                                    |
| Specific Party Identifier            | This attribute shall specify a valid value of a party in T2S. This attribute shall specify a value only when the Boolean value in underlying rule defines the attribute as a valid criterion.  |       |             |      |                 |      |                                    |
| Security Identifier                  | This attribute shall define the unique technical identifier of a security in T2.   |       |             |      |                 |      |                                    |
| Market-specific attribute identifier | This placeholder attribute shall specify a valid value from the list of valid values for a market-specific attribute. This attribute shall specify a value only when the Boolean value in underlying rule defines the attribute as a valid criterion.  |       |             |      |                 |      |                                    |

**Restriction Type Definition with Rule Set and Matrix Example:**

In this example, the CSD needs to configure a restriction type that enables T2S to reject a settlement instruction for a security, subject to withholding tax, on a tax-exempted securities account. Therefore, the CSD must first configure specific attributes for the tax status for both securities accounts and securities in T2S, as specified in requirement T2S.16.760. In addition to the attribute, the CSD would also specify the valid values for each attribute, as documented below:

- Securities Tax Status

| Value | Description  |
|-------|--------------|
| N     | Not exempted |
| X     | Exempted     |
- Securities Account Tax Status

| Value | Description  |
|-------|--------------|
| N     | Not exempted |
| X     | Exempted     |

The configuration of the restriction type requires the CSD to configure the set of parameters, specified in the following table. The restriction would apply to the settlement instruction (*Object Restriction Type* = "Settlement Instruction"),

resulting in a rejection in validation (*Restriction Processing Type* = "Rejection") if a valid entry is found in the set of matrices set-up for the restriction type (*Restriction Profile* = "Positive").

|  |  |
|--|--|
| <b>Restriction ID</b>                    | 12345  |
| <b>System Entity</b>                     | CSD X  |
| <b>Valid From</b>                        | 1 January 2009   |
| <b>Valid To</b>                          | -  |
| <b>Restriction Type</b>                  | TAX  |
| <b>Restriction Description</b>           | The purpose of this restriction is to reject instructions on taxable securities on tax-exempted securities accounts. |
| <b>Object Restriction Type</b>           | Settlement Instruction   |
| <b>Restriction Processing Type</b>       | Rejection  |
| <b>Positive / Negative Parameter Set</b> | Positive   |

Furthermore, it requires the CSD to add its specific attributes for both the securities and securities account reference data as valid criteria to the configuration of the restriction type.

| Assignment ID | Restriction ID | System Entity | Specific Attribute            |
|---------------|----------------|---------------|-------------------------------|
| 1             | 12345          | CSD X         | Securities Tax Status         |
| 2             | 12345          | CSD X         | Securities Account Tax Status |

It results in the extension of the resulting set of criteria for the rules and matrices for the restriction type by the specific attributes *Securities Tax Status* and *Securities Account Tax Status*. The definition of the restriction type requires the CSD to create only one rule in which it marks the two aforementioned attributes as valid criteria. The CSD must define two entries under this rule. The first entry specifies if the security in the settlement instruction is not tax-exempted, but the securities account in the settlement instruction is tax-exempted, then T2S is to reject the instruction. The second entry specifies if the security in the settlement instruction is tax-exempted, but the securities account in the settlement instruction is not tax-exempted, then T2S is to reject the instruction. T2S will accept settlement instruction with any other combination of values for these fields.

| Rule Sequence | Securities Movement Type | Payment | Transaction Identification | Party Type | Party Identifier | Security identifier | Securities Tax Status | Securities Account Tax Status |                   |
|---------------|--------------------------|---------|----------------------------|------------|------------------|---------------------|-----------------------|-------------------------------|-------------------|
| 1             |                          |         |                            |            |                  |                     | Y                     | Y                             | Rule              |
|               |                          |         |                            |            |                  |                     | N (not exempted)      | X (exempted)                  | Matrix Occurrence |
|               |                          |         |                            |            |                  |                     | X (exempted)          | N (not exempted)              | Matrix Occurrence |

**7. The following changes are required in Chapter 16.8.11 Market-Specific Attributes for Parties and Securities Accounts and Securities**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.16.750 |
|---------------------|------------|

T2S shall provide the functionality to allow a CSD to define additional attributes for securities account reference data, party reference data and securities reference data without requiring changes to the data model or the graphical user interface. Any market-specific attribute shall appear dynamically in the GUI after its definition in T2S by the CSD system administrator. ~~The attributes shall be for information only.~~  
 (...)

**Market-Specific Party, Securities Account and Securities Attribute Definitions**

|                     |            |
|---------------------|------------|
| <b>Reference ID</b> | T2S.16.760 |
|---------------------|------------|

The *Party, Securities Account and Securities Attribute Definition* entity shall provide the definition of additional logical attributes in pre-defined physical database tables for the market-specific fields required for a securities account, party or security. An attribute definition shall require the specification of a unique identifier for the attribute as well as its business descriptions. It shall define the attribute value and its logical format. The actual column of the pre-defined database table (~~Market-Specific Party, Securities Account and Security Attribute Value Entity~~) defines the physical limitation for the logical format.

Table 16-33 – Attribute Requirements for the Market-Specific Party, Securities Account and Securities Attribute Definition

| Attribute  | Definition   |
|--|--|
| System Entity Identifier   | This attribute shall specify the system entity identifier of the CSD using the additional attribute.   |
| <del>Party or Securities Account</del> Reference Data Object Qualifier | This attribute shall specify whether the market-specific attribute pertains to the reference data for parties, securities accounts or securities.  |
| Market-Specific Attribute Identifier                                   | This attribute shall define the unique technical identifier of the market-specific attribute definition.   |
| Attribute Domain Name  | This attribute shall specify the name of the attribute domain, which T2S shall use as a field label.   |
| Attribute Domain Description   | This attribute shall provide a short documentation of the attribute domain, i.e. what purpose it serves for the CSD or market.   |
| Attribute Format   | This attribute shall specify whether the format of the attribute value is alphabetic, alphanumeric or numeric.   |
| Maximum Attribute Length   | This attribute shall specify the maximum length of the attribute value.  |
| Mandatory  | This Boolean attribute shall specify whether the input of a valid value for market-specific attribute is mandatory.  |
| Unique   | This Boolean attribute shall specify whether the value in the market-specific attribute must be unique.  |
| Attribute Domain Identifier  | This attribute shall specify the identifier of the domain that defines the list of valid values for a market-specific attribute (Refer to chapter 11, section 11.6, for the requirements pertaining to the management of attribute domains). A market-specific field, defined as unique, should not have an attribute domain assigned to it. Otherwise, a value in the list of valid values could only be used once. |

#### Processing of market-specific attributes for securities account reference data by a CSD

| Reference ID | T2S.16.813 |
|--------------|------------|
|--------------|------------|

T2S shall require the CSD to provide all market-specific securities account reference data attributes that it has configured for itself in T2S for a new securities account when it creates the new securities account in T2S. T2S shall reject the creation of a new securities account by the CSD, if it provides no value for a market-specific attribute that it has defined as mandatory.

#### Outcome of meetings:

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

\* AG Meeting on 9-10 Dec 2009  
CR on hold. A workshop will be created to analyse this issue and propose a recommendation to the AG in the first week of January 2010. 15 Jan 2010 AG will discuss this recommendation.

\* Workshop in the preparation of ad hoc Jan AG meeting on 5 Jan 2010  
Recommendation to the AG: Approval

\* AG Meeting on 15 Jan 2010

Approval of Workshop recommendation. The AG also agreed that the application of this change request should be monitored. Therefore all CSDs will be asked whether they intend to apply additional validation rules and whether there are initiatives in their market to eliminate the specificities which trigger the need for additional validation. NCBs will be invited to co-ordinate the input for their country and the T2S Team will consolidate the information for the AG.