

<b>General Information (Origin of Request)</b>		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> Euroclear	<b>Institute:</b> CSD	<b>Date raised:</b> 01/07/2015
<b>Request title:</b> Provide Restriction Type name and description in reason code due to Market Specific Restriction Types		<b>Request ref. no:</b> T2S-0525-SYS
<b>Request type:</b> Common		<b>Urgency:</b> Normal
<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> High	
<b>Requestor Category:</b> CSD	<b>Status:</b> Preliminary assessed	

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

#### Highlights

CSDs are able to create MSRT (Market Specific Restriction Types) in T2S to implement rules that relate to their specific service offer or to their legal environment. When a settlement instruction is sent to a given CSD on T2S platform, T2S checks if this instruction is compliant with the MSRTs created by the CSD and may thus reject it or put it on hold. In case of rejection or 'on hold' status, T2S does not provide the detailed reason (as it would do for a 'standard' rejection). It only provides the generic 'rule set id' (which is a number with no business meaning) in A2A messages and provides no reason on the GUI.

#### Detailed description

When a CSD creates a restriction type on T2S, it provides the following elements:

- The name of the restriction type
- The description of the restriction type
- The type of object, the restriction type refers to;
- The type of processing T2S must put in place when the restriction type is triggered (e.g. rejection of a Settlement Instruction, blocking of a party, etc);
- A validity period, specified by a mandatory initial date of validity and an optional final date of validity;
- A positive/negative parameter according to which T2S should apply/should not apply the restriction (if "positive", the restriction is applied if the rules are satisfied);
- With reference to restriction types belonging to case one and two, a set of rules defining the criteria according to which T2S checks whether a restriction type has to be triggered or not.

When the rule is validated then T2S allocates a 'rule set id' which is a sequential number with no business meaning.

When a settlement instruction is rejected or on CSD validation hold due to an existing MSRT, the 'reject' message contains

#### A2A mode

- only the identification number of the restriction type rule (the rule set id. Example:  
`<Rjctd><Rsn><Cd><Cd>VALR</Cd></Cd><AddtlRsnInf>MVS703-Settlement Instruction rejected due to a Restriction Type 300003245</Add`

Restriction type name and description is not mentioned

#### U2A mode

- Currently, neither the rule ID nor the restriction type name and description is provided. However, it was clarified by the 4CB that the rule ID will be included on the T2S GUI screen via a hot fix similar to the A2A mode (UT-PBR-040).

**This creates reconciliation issues**

In both A2A and U2A mode, based on the rule set id, the client would have to initiate many actions on the T2S GUI until he can find the actual reason

- First the client has to go to the 'Restriction Type' search and search for market specific ones (General rule set to 'No'). This gives the list of all the MSRTs that have been created by the CSD
- Then the client needs to export this result: in addition to information that are displayed in the screen, the client will also get the 'Rule set ID' of the first rule set that is described for the MSRT (but not the complete list)
- In order to get the complete list, the client needs to consult Rule set detail for each Restriction Type. Then, in the 'Rule set' screen, he can also export the result (this is to be done once for each Restriction type)

In summary T2S reporting does not provide appropriate information to allow the client to understand the reason of the status. In particular, the rule ID does not have any business meaning and it is not enough clear for the clients.

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**Description of requested change:**

In case of MSRT rule rejection or validation hold, the reason code description should contain:

- the Restriction Type name ,
  - the Restriction Type description,
- in both U2A and A2A modes.

Example: MVSR703-Settlement Instruction rejected due to a Restriction Type RT25 – Check Compatibility between Party Type and Securities Movement Type, 300003245.

The restriction Processing types to be included in the CR are: Rejection & CSD Validation hold both for positive and negative rules.

The object restriction types to be included in the CR are: settlement instructions & settlement restrictions. The sese.032 is also included ([SecuritiesSettlementTransactionGenerationNotification message](#)).

It concerns both A2A and U2A but queries and reports are excluded.

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**Submitted annexes / related documents:**

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**Proposed wording for the Change request:**

The request is to display the restriction type name and restriction type description in the reason of the rejection or validation hold status. It should apply both on the T2S GUI and in the messages.

The additional reason information should contain:

- The restriction type name + the restriction type description and the rule set ID.

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**High level description of Impact:**

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**Outcome/Decisions:**

\*CRG meeting of 9 July 2015: The CRG decided to put the Change Request on hold for discussion in the September 2015 CRG and agreed that the Change Request T2S-0525-SYS could be a potential candidate for fast-track Release 1.2.

\*CRG meeting of 17-18 September 2015: The CRG agreed to put the Change Request on hold and agreed to include it in the list of Change Requests for Release 1.2. The 4CB clarified that the rule ID will be included on the T2S GUI screen via a hot fix as it was provided in the A2A mode and therefore the Change Request was updated to remove a part of the CR that requests including a rule ID in T2S GUI screen.

\*CRG Telco of 1 October 2015: The CRG agreed to put the Change Request on hold and the CRG agreed to consider this Change Request for the next release (i.e. either Release 1.3 or Release 2.0).

\* CRG meeting of 8-9 February 2016: The CRG decided to put the Change Request on hold for T2S Release 2.0 potentially.

\* CRG meeting on 6 September 2016: The CRG recommended to launch the preliminary assessment on the Change Request from 26 September 2016 to 17 October 2016 (batch 1).

\* OMG on 05 October 2016: During a written procedure from 14 September 2016 to 06 October 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request.

\* CRG meeting on 26 October 2016: The CRG took note of the T2S functionalities/modules impacted by the Change Request following the 4CB preliminary assessment.

**Preliminary assessment:**

- Impacted functionality/module: A2A, U2A, LCMM, LTSI, SD
- **Findings (as already provided within the R1.2 high level impact analysis):**
  - Recommendation to use an exported list of the Restriction Types and the Rules for each Restriction Type(Described in the CR).
  - High performance impact on core modules LCMM, T2S GUI and A2A processing.
  - Side-effects on performance and stability of the system likely.
- **Following issues have to be clarified before the start of detailed assessment:**
  - Update CR name to "Provide Restriction Type name and description in reason code due to Market Specific Restriction Types"
  - Which use cases or messages have to be considered? Is it only for writing requests from A2A and U2A resulting in status notifications (which ones) or are even Q&R affected?
  - In the CR there is no reference to whether rejection or CSD Validation hold NEGATIVE rules' name and description should as well be stored, even though they are not informed in the 'reject' message or in the GUI. What would happen in case a specific SI/SR fulfills two different rules (i.e. one negative for rejection and one positive for CoSD hold for instance)? In the UDFS section 2.3.3.2 it says that also when negative rules are applied the Rule ID should be informed.
  - What about Settlement Restrictions? They are also affected by MSRT.
  - The A2A field mentioned in the CR <Rjctd><Rsn><Cd><Cd>VALR</Cd></Cd><AddtlRsnInf> has a maximum length of 210 characters. But 'T2S Restriction Type description' which is configured via T2S GUI has a maximum of 350 characters. The proposal is to keep 350 characters in U2A but cut description text in A2A after approx. 150 characters (with other fixed codes and text in the field this comes then to 210 characters).
  - The current CR states that in the GUI no rule ID is provided at all. Due to the agreement reached on UT-PBR-040 it was decided to report this rule ID in the GUI as well. CR needs to be updated accordingly.
  - What about the SecuritiesSettlementTransactionGenerationNotification message (sese.032)? It also informs the current Rule ID associated with a CSD Validation Hold when applicable.