

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Deutsche Bundesbank on behalf of the German NUG	Institute: Central Bank	Date raised: 24/07/2015
Request title: Separate release privilege for T2S auto-collateralisation reimbursement instructions		Request ref. no: T2S 0545 SYS
Request type: Common		Urgency: Normal
1. Legal/business importance parameter: High	2. Market implementation efforts parameter: Medium	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: Medium	
Requestor Category: Central Bank	Status: Authorised at Steering Level	

Reason for change and expected benefits/business motivation:

When T2S auto-collateralisation is triggered T2S on the one hand automatically generates and immediately settles the opening leg of the auto-collateralisation transaction and on the other hand automatically generates the closing leg for the reimbursement of the auto-collateralisation transaction. The closing leg is put on party hold for the collateral provider in T2S. According to the repo and pledge procedure the pending reverse collateral instructions need to be released on the collateral providing account of the CSD Participant either by the collateral provider (active release management) or automatically by T2S, e.g. at 16h30 CET (passive release management).

Pending reimbursement auto-collateralisation instructions are treated as any other pending settlement instruction and hence privileges to release them are granted by the CSD, not by the Central Bank. In addition, no separate privilege exists to release pending reimbursement auto-collateralisation instructions. The T2S privilege 'Release Party Hold Settlement Instruction' is only based on the object Securities Account or Party and therefore, it is not foreseen to differentiate by transaction type (e.g. auto-collateralisation-related instructions).

This is resulting in operational problems and restricting business models of Payment Banks (in DCP and ICP mode) within the context of an active release management:

- (1) Pending reimbursement instructions need to be released on the securities side, i.e. by the collateral provider, even though the unwinding of a pending auto-collateralisation transaction is the return of credit that the Central Bank has granted to the Payment Bank in T2S. Depending on the internal organisation, this is considered an operational risk as usually cash operations and securities operations are strictly separated.

Via cross-system entity privileges the privilege to release pending reimbursement instructions could be shifted to the cash side¹, but in the absence of more granular privileges, this access could not be limited to auto-collateralisation instructions only but would apply to all other settlement instructions for a specific T2S SAC.

With the existing privileges Cash Operations staff would get unlimited privilege to release ALL pending instructions or Securities Operations staff would have the privilege to release ALL pending instructions including the auto-coll.

- (2) Cash only DCPs can only release pending reverse collateral instructions as ICP via their CSD(s) and not as DCP on the cash side. Potentially, ICP interfaces of several CSDs must be monitored to reimburse the auto-collateralisation credit in case of linkages to the DCA from several CSDs².

In addition, the Change Request would support Payment Banks to be able to offer services to third party clients in a less complex and more simplified way:

¹ Please note that possibly more privileges are needed to be able to apply the release instruction. These privileges would have also to be (able to be) granted to the cash side.

² Only those CSDs must be monitored where the Cash DCP has collateral providing accounts linked to the DCA.

- If Payment Bank (credit consumer) and CSD Participant (collateral provider) are not the same legal entity, this may considerably complicate the service of Payment Banks to third party clients (e.g. to not provide T2S auto-collateralisation). Payment Banks providing cash services to a third party CSD SAC account owner can do this only via a segregated DCA (in the absence of using secondary CMBs). For T2S auto-collateralisation the Payment Bank requires (1) access to the third party CSD account to release the pending reimbursement instructions – which is a risk for the third party CSD account owner and hence will not happen - or (2) the Payment Bank allows the third party to release any pending auto-collateralisation instruction, i.e. the third party would be able to intervene in the liquidity management of the Payment Bank – which is unlikely to happen.

Description of requested change:

Change the privilege granularity within T2S to have separated privileges for the release of pending reverse auto-collateralisation instructions and for the release of regular settlement instructions.

The change should be implemented for A2A and U2A connection.

As per UHB chapter 3.15.3.3 “Release a Settlement Instruction from Party Hold” users have to first query the settlement instruction they wish to release and secondly release it. Therefore, the user who is in charge of releasing the settlement instruction must also be granted with the Settlement Instruction Query privilege for the respective securities account. This enables the user to query all settlement instructions referring to this securities account.

ECB and 4CB are invited to confirm that the privilege for the release of pending reverse auto-collateralisation instructions as well as all other privileges that are a pre-requisite to be able to perform the release (e.g. the privilege to query the settlement instructions that should be released) can be granted to the Payment Bank via cross-system entity privilege management from a technical/functional point of view.

As T2S has been in production since 22 June 2015, the communities that have already been migrated to T2S based their set-up and currently operate with the privilege 'Release Party Hold Settlement Instruction' which is used to release **both** pending reverse auto-collateralisation instructions **and** regular settlement instructions. When introducing separated privileges for the release of pending reverse auto-collateralisation instructions and for the release of regular settlement instructions with this Change Request, it has to be ensured that the migration from one overall privilege to two separate privileges is performed without any negative implications for those T2S Actors that are already in production. Therefore, it is requested that T2S automatically converts the privileges with the deployment of this Change Request. With this conversion, it has to be ensured that:

- If a Party / User / Role had the privilege "Release Party Hold Settlement Instruction" prior to cutover, it should have both split privileges after cutover.
- If a Party / User had a role which contained the "Release Party Hold Settlement Instruction" privilege prior to cutover, it should have an adjusted role which contains both split privileges after the cutover.
- The configuration of the privileges (deny flag, admin flag, 4 eyes flag) is maintained in the cutover activity, i.e. the split privileges should have the same deny, admin and 4-eyes configuration as the original "Release Party Hold Settlement Instruction" privilege.
- Data scope reductions / extensions are maintained in the cutover, i.e. any data scope extension / reduction which was configured on the "Release Party Hold Settlement Instruction" privilege for a Party / User / Role prior to cutover, should be configured in the same way on both split privileges for the given Party / User / Role after cutover.

By this, it is ensured that in the course of the cutover individual T2S Actors do not have to actively adapt their privilege assignment to keep the status quo. Only after the cutover, T2S Actors should be able to individually adapt their privilege set-up to profit from the advantages of two separate privileges for the release of pending reverse auto-collateralisation instructions and regular settlement instructions.

Submitted annexes / related documents:

T2S_0545_SYS_attachment: Privilege configuration for cash side and securities side users

Proposed wording for the UDFS Change request:

Section 1.3.3.1.2 Privilege:

The list of privileges related to settlement instruction management (table 36) shall include a new item with the following attributes:

PRIVILEGE	T2S USER FUNCTION (MESSAGE)	PRIVILEGE TYPE	OBJECT TYPE	DEFAULT DATA SCOPE
Cancel Non-modifiable Instructions on behalf of the Instructing party of the Underlying Settlement Instruction	SecuritiesTransactionCancellationRequest	Object	Party	Parties within own System Entity (for CSD) or own Party (for CSD Participant/External CSD)
<u>Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD</u>	<u>SecuritiesSettlementConditionsModificationRequest</u>	Object	Securities Account Party	<u>All Auto-collateralisation Instructions on Securities Accounts within own System Entity (for CSD) or owned by own Party (for CSD Participant and External CSD)</u>

Section 3.3.8.10 SecuritiesSettlementConditionModificationRequestV03 (sese.030.001.03), page 1329

To add the mapping of the new BR MVCP129 to the relevant sese.030 message elements:

Business rules applicable to the schema

Message Item	Data Type / Code	Business Rules
..
Indicator Document/ScitiesSttImCondsModReq/ReqDtls/HldInd/Ind	YesNoIndicator	IIMP112 IIMP131 MVCP021 MVCP025 MVCP026 MVCP093 MVCP094 MVCP106 MVCP107 MVCP111 MVCP112 MVCP113 MVCP114 MVCP115 MVCP116 MVCP117 MVCP118 MVRI584 <u>MVCP129</u>

Message Item	Data Type / Code	Business Rules
Code Document/SctiesSttImCondsModReq/ReqDtls/HldInd/Rsn/Cd/Cd	Registration2Code	IIMP112 IIMP131 MMPR209 MVCP021 MVCP025 MVCP026 MVCP093 MVCP094 MVCP106 MVCP107 MVCP111 MVCP112 MVCP113 MVCP114 MVCP115 MVCP116 MVCP117 MVCP118 MVRI584 MVCP129

Section 4.1. Index of Business Rules and Error Codes:

To add the following BRs:

MVCP129	The sender of a Hold/Release Instruction that intends to release an Auto-Collateralisation Instruction must be authorised to release a Party Hold on an Auto-collateralisation Instruction with specific Securities Account.					The sender of the Hold/Release Instruction is not authorised to release an Auto-Collateralisation Instruction on the Securities Account.
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Proposed wording for the UHB:

Section 2.2.2.10 Hold/Release Instruction - New Screen:

To add the privilege “Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD” to the list of privileges needed to use the screen:

Privileges

To use this screen, you need the following privileges:

- Party hold settlement instruction on a securities account or on behalf of an external CSD

- | CSD hold settlement instruction either on a securities account or on behalf of the CSD in T2S
- | Release party hold settlement instruction on a securities account or on behalf of an external CSD
- | Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD

To add the BR MVCP129 to the relevant screen attributes: "Party Release" and "Submit" button

Release Types	
Party Release	<p>Select the party release allows you to send a hold/release instruction to T2S in order to release the referenced instruction which has been previously put on party hold.</p> <p>This field is greyed out in case the referenced instruction is not on 'Party Hold' or you have not the privileges to perform such an operation.</p> <p>References for error messages []:</p> <ul style="list-style-type: none"> MMRI201 MMRI202 MMRI204 MVCP022 MVCP047 MVCP094 MVCP111 MVRI591 <u>MVCP129</u>

Buttons

Submit	<p>This function enables you to create a new hold/release instruction.</p> <p>Next screen:</p> <ul style="list-style-type: none"> <i>Hold/Release Instruction – New screen</i> <p>References for error messages</p> <p>...</p> <ul style="list-style-type: none"> <u>MVCP129</u>



Section 3.15.3.3 Release a Settlement Instruction from Party Hold:

To update the business scenario with the relevant information related to the new privilege.

Context of Usage

This business scenario describes how to release a settlement instruction from party hold. This is necessary if you want to release a settlement instruction that was previously put on party hold, in order to settle it. Settlement instructions put on party hold are not eligible for settlement until they are released.

Releasing a settlement instruction for party hold is one option for the creation of a new hold/release instruction for a settlement instruction.

Before you create a new release instruction for party hold, check whether the settlement instruction is eligible for the release from party hold. A settlement instruction is eligible to be released for party hold if it is not cancelled, settled nor already released for party hold. You can check the status of your settlement instruction before creating the release instruction through the details screen as described in the business scenario view settlement instruction details.

Privileges

To carry out this business scenario, you need the following privileges:

- | Settlement instruction query
- | Settlement instruction current status query
- | Settlement instruction status audit trail query
- | Release party hold settlement instruction on a securities account or on behalf of an external CSD
- | Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD
- | Send new instruction using a specific instructing party

Section 6.3.3.88 Hold/Release Instruction - New Screen:

To add the privilege “Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD” to the list of privileges needed to use the screen:

Privilege	Privilege Code	Privilege Type	Object Types	Screen Criteria
Release Party Hold	SIG_RP	Object	Securities	Party Release

Privilege	Privilege Code	Privilege Type	Object Types	Screen Criteria
Settlement Instruction on a Securities Account or on Behalf of an external CSD	TYH		Account/Party	(flagged)
<u>Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD</u>	<u>SIG RP TYA</u>	<u>Object</u>	<u>Securities Account/Party</u>	<u>Party Release (flagged)</u>

Section 6.4.2.90 Hold/Release Instruction - New Screen:

Include the BR MVCP129:

Reference for error message	Field or Button	Error Text	Description
MCVP129	<ul style="list-style-type: none"> ■ <u>Party Release field</u> ■ <u>Submit button</u> 	<p>The sender of the <u>Hold/Release Instruction is not authorised to release an Auto-Collateralisation Instruction on the Securities Account.</u></p>	<p>The sender of a <u>Hold/Release Instruction that intends to release an Auto-Collateralisation Instruction must be authorised to release a Party Hold on an Auto-collateralisation Instruction with specific Securities Account.</u></p>

High level description of Impact:

Outcome/Decisions:

* 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 CRG considered the Change Request very important for the migration of wave 3 participants.

- * CRG teleconference of 1 October 2015: The CRG recommended launching the detailed assessment on the Change Request.
- * Advisory Group's advice on 8 October 2015: Following a written procedure, the AG was in favour of launching the detailed assessment on the Change Request.
- * CSG resolution on 9 October 2015: Following a written procedure, the CSG was in favour of launching the detailed assessment on the Change Request.
- * OMG on 16 October 2015: During a written procedure from 2 October 2015 to 16 October 2015, the Operations Managers Group did not identify any operational impact of the Change Request.
- * CRG meeting of 15 December 2015: The CRG agreed to conclude on its final recommendation on the Change Request during the CRG teleconference of 18 December 2015.
- * CRG teleconference of 18 December 2015: The CRG recommended the approval of the Change Request and its addition to Release 1.2.
- * PMG meeting on 13 January 2016: During a written procedure from 30 December 2015 to 13 January 2016, the Project Managers Group was in favour of adding the Change Request to Release 1.2.
- * OMG on 13 January 2016: During a written procedure from 30 December 2015 to 13 January 2016, the Operations Managers Group did not identify any operational impact. The OMG also was in favour of adding the Change Request to Release 1.2.
- * Advisory Group's advice on 21 January 2016: The AG was in favour of approving the Change Request and including it in Release 1.2.
- * CSD Steering Group's resolution on 22 January 2016: The CSG took the resolution to approve the Change Request and to include it in Release 1.2.
- * CRG meeting of 8-9 February 2016: The CRG recommended to anticipate the Change Request and move it from the T2S Release 1.2 to the T2S Release 1.1.5.
- * PMG teleconference on 12 February 2016: The Project Managers Group was in favour to anticipate the Change Request and move it from the T2S Release 1.2 to the T2S Release 1.1.5.
- * OMG on 12 February 2016: During a written procedure from 8 February 2016 to 12 February 2016, the Operations Managers Group was in favour to anticipate the Change Request and move it from the T2S Release 1.2 to the T2S Release 1.1.5.
- * Advisory Group's advice on 26 February 2016: Following a written procedure from 19 to 26 February 2016, the AG was in favour of the Change Request. The AG also was in favour of moving the Change Request from the T2S Release 1.2 to the T2S Release 1.1.5.
- * CSG's resolution on 27 February 2016: Following a written procedure from 19 to 27 February 2016, the CSG adopted the resolution to approve the Change Request. The CSG also adopted the resolution to move the Change Request from the T2S Release 1.2 to the T2S Release 1.1.5.

EUROSYSTEM ANALYSIS – GENERAL INFORMATION

Impact On T2S	Static data management		Interface	
		Party data management		Communication
		Securities data management		Outbound processing
		T2S Dedicated Cash account data management		Inbound processing
		Securities account data management		
	X	Rules and parameters data management		
	Settlement		Liquidity management	
	X	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	X	Instructions validation
				Status management
	Operational services			Instruction matching
		Data Migration		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		
Document	Chapter	Change
Impacted GFS chapter		
Impacted UDFS chapter	§.1.3.3.1.2 Privilege §.3.3.8.10 SecuritiesSettlementConditionModificationRequestV03 (sese.030.001.03) §. 4.1. Index of Business Rules and Error Codes	See changes described above.
Additional deliveries for Message Specification	SecuritiesSettlementConditionModificationRequestV03 (sese.030.001.03)	Add BR mapping within the 'Business rules applicable to the schema' and in MyStandards.
UHB	2.2.2.10 Hold/Release Instruction - New Screen 3.15.3.3 Release a Settlement Instruction from Party Hold: 6.3.3.88 Hold/Release Instruction - New Screen 6.4.2.90 Hold/Release Instruction - New Screen	See changes described above.
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

From a functional viewpoint:

- the T2S functionality for access rights configuration shall provide a new object privilege "*Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD*";
- the T2S functionality for access rights check shall be modified in order to implement different default data scopes for the object privilege "*Release Party Hold Settlement Instruction on a Securities Account or on Behalf of an external CSD*" (with default data scope including all settlement instructions with the exception of auto-collateralisation instructions) and the object privilege "*Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD*" (with default data scope including all auto-collateralisation instructions);
- the access rights configuration data already setup in the different testing environments and in the production environment shall be migrated by ensuring that each grantee (party/user/role) of the object privilege "*Release Party Hold Settlement Instruction on a Securities Account or on Behalf of an external CSD*" shall be granted, after the data migration, with the two object privileges "*Release Party Hold Settlement Instruction on a Securities Account or on Behalf of an external CSD*" and "*Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD*".
- The business validation function in charge of the privileges check shall verify the type of instruction the user intends to release. If the underlying instruction is an auto-collateralisation instruction, the user must have both the privilege "*Release Party Hold Auto-collateralisation Instruction on a Securities Account or on Behalf of an external CSD*" and "*Release Party Hold Settlement Instruction on a Securities Account or on Behalf of an external CSD*".
- Users having only the privilege "*Release Party Hold Settlement Instruction on a Securities Account or on Behalf of an external CSD*" will not be authorized to release an Auto-collateralisation Instruction.
- Likewise, if the underlying instruction is a Settlement Instruction not related to Auto-Collateralisation, users that intend to release the party hold of such instruction must have the privilege "*Release Party Hold Settlement Instruction on a Securities Account or on Behalf of an external CSD*".

Summary of project risk

No.

Security analysis

No potentially adverse effect was identified during the security assessment.

DG-MIP/MIM



ECB-PUBLIC

11 December 2015

COST ASSESSMENT ON CHANGE REQUESTS

T2S-545-SYS – Separate release privilege for T2S auto-collateralisation reimbursement instructions		
Project phase costs (total)	175,401.97	Euro
Running costs (annual average over cost recovery period)	15,833.03	Euro