



EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REQUEST FORM		
General Information (Origin of Request) <input checked="" type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Eurosystem	Institute: Eurosystem	Date raised: 26/11/2015
Request title: Applying additional haircuts to own-used assets in T2S auto-collateralisation		Request ref. no: T2S 0574 URD
Request type: Common	Classification: Scope enhancement	Urgency: Normal
1. Legal/business importance parameter: High	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: High	
Requestor Category: ECB	Status: Allocated to a release	

Reason for change and expected benefits/business motivation:

A T2S Change Request is necessary to make T2S compliant with the ECB legal documentation. Requirement is related to Article 4, Paragraphs (b), (c) and (d) of Guideline (EU) 2015/35 of the European Central Bank of November 18, 2015 on the valuation haircuts applied in the implementation of the Eurosystem monetary policy framework ¹.

When collateral is used for Eurosystem credit operations via other mobilisation channels, it is (as of 2016) valued following requirements referred to in the Eurosystem monetary policy framework. In the current implementation of the collateral valuation in T2S, a single price coefficient provided by the NCBs is used to value collateral used for T2S Central Bank auto-collateralisation purposes. The current solution is sub-optimal in case of assets which can be own-used, i.e. used by an entity that is allowed to use these assets as collateral, despite a close link it has to them. Until the change proposed in this CR form is implemented into T2S an additional haircut is applied to all assets that can potentially be own-used, regardless of the credit consumer. This means that during this interim solution phase the pricing coefficient used for T2S Central Bank auto-collateralisation purposes is lower regardless if the credit consumer has an allowed close link to the asset or not.

The change proposed to T2S is to introduce two securities valuations for assets that can potentially be own-used, one where only the standard haircut is applied and another where also an additional haircut would be applied. Securities valuations used for collateral mobilisation via T2S Central Bank auto-Collateralisation, would depend on whether the credit consumer has a close link to such asset (related CR T2S-530-URD One close link database for Eurosystem NCBs and separate database per non-EUR currency) or not.

¹ "(b) own-use covered bonds shall be subject to an additional valuation haircut of (i) 8% applied to the value of the debt instruments allocated to credit quality steps 1 and 2, and (ii) 12% applied to the value of the debt instruments allocated to credit quality step 3;

(c) for the purposes of paragraph (b), 'own-use' shall mean the submission or use by a counterparty of covered bonds that are issued or guaranteed by the counterparty itself or by any other entity with which that counterparty has close links as determined in accordance with Article 138 of Guideline (EU) 2015/510 (ECB/2014/60);

(d) if the additional valuation haircut referred to in paragraph (b) cannot be applied in view of the collateral management systems of the NCBs, triparty agent or TARGET2-Securities for auto-collateralisation facilities, the additional valuation haircut shall be applied in such systems or platform to the entire issuance value of the covered bonds that can be own used."

https://www.ecb.europa.eu/ecb/legal/pdf/en_dec_2015_35f.pdf

Description of requested change:

T2S should be able to accept two valuations per security:

- Valuation 1: Valuation for securities eligible for Central Bank auto-collateralisation a standard haircut already applied;
- Valuation 2: Valuation for securities that can be potentially own-used with standard and additional haircut already applied

T2S auto-collateralisation service should only exclude securities with a close link for which a securities valuation 2 has not been defined. If a securities valuation 2 for the security has been defined, T2S auto-collateralisation service should accept the security as collateral and apply the valuation 2. The same principles as currently applicable to the standard valuation price (i.e. deletion by overwriting price with zero valuation and using previous day price if no valuation exist for current business day) must apply to valuation 2.

After the go-live of ECMS, ECMS will be the master source for the single data feed containing the two securities valuations for assets to be used for all the Eurosystem NCBs. Any modification in the securities valuations should be first performed in ECMS and then transmitted to T2S by ECMS. The securities valuations from Eurosystem NCBs will be provided through T2S interface via flat files as today (or via A2A messages in case of contingency situations).

In case of contingency situations, securities valuations to be used for all the Eurosystem NCBs could be provided by users with the relevant privileges and data scope, for instance in U2A mode or via flat files. Which users will have the relevant privileges has to be defined outside of this CR.

T2S needs to be able to select the correct valuation for T2S auto-collateralisation process for Central Banks, depending on whether the BIC of the credit consumer and the security (ISIN) are in the list of pairs for close links:

- Valuation 1 will be used if the pair of the BIC of the credit consumer and the security (ISIN) are not defined as close link for the relevant Central Bank.
- Valuation 2 will be used if the pair of the BIC of the credit consumer and the security (ISIN) are defined as close link for the relevant Central Bank.

In case the correct valuation is not available, T2S auto-collateralisation will not be triggered.

For the sake of consistency, T2S shall have the same behaviour for Central Bank auto-collateralisation for non-Eurosystem NCBs and for client-collateralisation as for Eurosystem NCBs Central bank auto-collateralisation provided there is a business case for having own-used assets. Therefore, T2S shall accept valuations per security and non-Eurosystem NCBs/Payment bank and select the correct one according to the rules stated above.

In addition, T2S should only maintain a securities valuation per security for all Eurosystem NCBs (or a pair of securities valuation for own-use securities).

Submitted annexes / related documents:

Annex 1: User Detailed Functional Specification (UDFS)

Outcome/Decisions:

* CRG Teleconference on 18 December 2015: The CRG agree to put the Change Request on hold and make some changes to the Change Request.

* 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.

* CRG meeting on 4 July 2018: The CRG agreed to update the CR and recommend to the Steering Level the availability of the CR for release allocation.

* AMI SeCo on 16 July 2018 (written procedure): The AMI-SeCo agreed to the recommendation of the CRG

* CSG on 17 July 2018 (written procedure): The CSG confirmed the availability of the CR for release allocation.

* MIB on the 12 September 2018: The MIB approved the updates on this Change Request.

- * PMG on 5 March 2020: The PMG proposed the allocation of this CR to T2S release 5.0.
- * CRG on 2 July 2020: The CRG took note of the results of the detailed assessment and agreed to recommend to the PMG the inclusion of the CR in R5.2
- * PMG on 10 July 2020: The PMG recommended the inclusion of the CR in the STP for R5.2 for approval by the Steering Level.
- * CSG on 7 August 2020: The CSG approved the inclusion of the CR in R5.2.
- * NECSG on 7 August 2020: The NECSG approved the inclusion of the CR in R5.2.
- * MIB on 27 August 2020: The MIB approved of the inclusion of the CR in R5.2.
- * OMG on 27 October 2020: the OMG identified an operational assessment on Central Banks, on Payment Banks for (for client-collat.) and on operational framework (T2S MOP securities data feeds).
- * OMG on 7 April 2021: the OMG confirmed the previous operational assessment of CR-574.
- * OMG on 3 June 2021: the OMG confirmed the previous operational assessment of CR-574.

Documentation to be updated:

The pertinent T2S documentation will have be updated at the time of implementation. Considering the up to date versions of the documentation the following sections of T2S documents are impacted by the Change Requests:

URD v6.0**URD 8.2.6 Conditions for the selection of collateral**

Reference ID	T2S.08.690
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When generating auto-collateralisation operations and based on the ~~latest value applicable valuation~~ of the eligible collateral, T2S must select securities ~~that have no close link with the T2S party for which auto-collateralisation is triggered~~ in such a way that the total amount of securities collateralised with central bank or payment/settlement bank:

- is at least equal to the amount of intraday credit provided; and
- does not exceed the auto-collateralisation limit granted, defined by the central bank or the payment/settlement bank providing the credit.

URD 16.7.7 Securities Valuation

Reference ID	T2S.16.520
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T2S shall store ~~the dirty prices of a security, with the haircut already deducted, of a security~~ for the valuation of positions in securities for collateralisation. ~~The working assumption is that both~~ Both central banks and payment/settlement banks, offering auto-collateralisation, will provide prices for the securities each has identified as eligible for auto-collateralisation.

T2S shall store prices for:

- the valuation of securities where there is no close link between the credit consumer and the security provided as collateral.
- the valuation of securities where there is a close link between the credit consumer and the security provided as collateral.

Table 16-9 – List of Attributes for Securities Valuation

Attribute	Description
Security Identifier	This attribute shall specify the unique technical identifier of a security in T2S.
Valuation Date	This attribute shall specify the date for which valuation data applies.
Valuation Currency	This attribute shall define the currency of the price for the valuation.
Price	This attribute specifies the price of the security as of the valuation date in the collateral valuation currency <u>where there is no close link between the credit consumer and the security provided as collateral.</u>
Price (close links)	<u>This attribute specifies the price of the security as of the valuation date in the collateral valuation currency where there is a close link between the credit consumer and the security provided as collateral.</u>
Party Identifier	This attribute specifies the unique technical identifier of the payment/settlement bank or central bank that provided the securities price for its collateral valuation.

URD 16.8.8 Close Links

Reference ID	T2S.16.690 (First paragraphs)
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~~A financial market participant cannot submit any asset issued or guaranteed by itself or by any other entity with which it has a close link.~~ "Close links" refers to a situation in which the counterparty is linked to an issuer/debtor/guarantor of eligible assets because: (i) the counterparty owns 20% or more of the capital of the issuer/debtor/guarantor, or one or more undertakings in which the counterparty owns the majority of the capital own 20% or more of the capital of the issuer/debtor/guarantor, or the counterparty and one or more undertakings in which the counterparty owns the majority of the capital together own 20% or more of the capital of the issuer/debtor/guarantor; or (ii) the issuer/debtor/guarantor owns 20% or more of the capital of the counterparty, or one or more undertakings in which the issuer/debtor/guarantor owns the majority of the capital own 20% or more of the capital of the counterparty, or the issuer/debtor/guarantor and one or more undertakings in which the issuer/debtor/guarantor owns the majority of the capital together own 20% or more of the capital of the counterparty; or (iii) a third party owns both the majority of the capital of the counterparty and the majority of the

capital of the issuer/debtor/guarantor, either directly or indirectly, through one or more undertakings in which that third party owns the majority of the capital.[...]

GFS v6.0

Collateral management systems, page 30

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T2S receives from collateral management systems a daily update of the static data for the valuations of securities positions to be used during the auto-collateralisation process.

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3.5.2.5 Description of the data related to limits and restrictions, page 340

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Securities Position Valuation Definition

The entity *Securities Position Valuation* stores ~~the~~ valuations of an earmarked securities position

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3.5.4 Multi-currency aspects, page 351

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Auto-collateralisation in a cross-currency environment

The auto-collateralisation facility provided by a CB or a payment/settlement Bank is technically available for all T2S settlement currencies. Auto-collateralisation in a given currency is actually available for a given user if the relevant credit provider agrees to provide intraday credit through auto-collateralisation and takes the necessary steps for this purpose. Besides, the list and valuations of eligible collateral have to be provided for each T2S settlement currency, since the collateral eligibility and valuations based on the valuation price and own-use valuation price are managed for each T2S settlement currency with distinction of the collateralisation provided by Eurosystem CBs and non Eurosystem CBs.

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3.5.5 Standardisation and Preparation to Settlement

3.5.5.3 Description of the functions of the module, page 373

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Collateral valuation of a settlement transaction

<i>Reference Id</i>	SETT.SPS.STM.5.2
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This step is performed after the Final Checks step as follows:

- | During the daytime, the function creates the new settlement transaction, calculates its collateral valuations based on the valuation price and the own-use valuation price and sends it to the *Daytime Collection Generator* function;
- | During the start of day, upon reception of the revalidated and recycled *Settlement Instructions* (and related matching object), the function does not create a new *Settlement Transaction* (since it already exists), but revaluates the securities on the existing settlement transaction;
- | During the night-time, the function creates the new settlement transaction, calculates its collateral valuations, and makes it available for selection by the *Night-time Settlement* module.

In order to calculate the collateral valuations of the *Settlement Transaction* subject to this valuation, the function checks if the two involved securities positions are earmarked for a collateral purpose. In such a case, the function identifies the credit providers (Eurosystem central bank, non Eurosystem central bank or payment/settlement bank)

which can use this earmarked securities position as collateral by using the related securities account's links for collateral supply.

Then, for each identified potential credit provider, the close links are checked and the function calculates the collateral valuations, based on the valuation price and the own-use valuation price for each credit provider and for the currency of the related *T2S Dedicated Cash Account* {T2S.03.060}.

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Valuation of earmarked securities positions for collateral purposes

Reference Id

SETT.SPS.ESP.4.1

Following the reception of an *Event (SOD)* from the *Scheduling* module, the function identifies the credit providers (Central Bank or payment/settlement bank) which can use each earmarked securities position for collateral purpose. This identification is done according to the related securities account's links for collateral supply.

For each *Securities Position Valuation* regarding each earmarked securities position, the function verifies that the collateral instructions shall be valid, notably regarding auto-collateralisation eligibility criteria (e.g. *Close links without an applicable valuation*).

For each identified potential credit provider, the function calculates the new valuations:

- | Standard valuation based on the valuation price for the securities where there is no close link between the credit consumer and the security provided as collateral;
- | Own-used valuation based the own-use valuation price for the securities where there is a close link between the credit consumer and the security provided as collateral.

Both valuations are calculated for of each earmarked securities position by multiplying the quantity available at the start of day on the securities account by the collateral price retrieved from the credit provider {T2S.03.060}.

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For each valid Static Data, the function propagates them into the Settlement domain.

The following objects are replicated:

- | Relevant Parties and their related System Entity
- | All Settlement Priority Default rules from *Attributes Domain*
- | All CosD rules and rule sets
- | All Restriction Types related to *Cash Balances*, *Securities Positions*, *Intraday Restrictions* and *Earmarking* at Securities Account Level
- | All Securities and Securities accounts for which Securities Positions exist
- | All T2S Dedicated Cash Accounts
- | All CMBs with their auto-collateralisation configuration (Receiving Securities account, Regular Securities account, ACO rule, NCB T2S Dedicated Cash Account)
- | All information relative to Securities Auto-collateralisation Eligibility (Close Link without an applicable valuation, Eligible Counterpart CSD Securities, Securities Valuations, Securities ACO eligibility)

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3.5.6 Daytime Validation, Provisioning and Booking

3.5.6.3 Description of the functions of the module, page 411

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During this process, the *Settlement Transactions* contained in the collection are booked one by one, without any particular order. All the accounts will be in credit when all *Settlement Transactions* of the collection are handled, because the collection has previously passed the provision-checking successfully.

As a result:

- | The securities positions are updated from the quantity or partial quantity (if it is filled in **{T2S.08.210}**) for each *Settlement Transaction*;
- | If the updated or created securities position is earmarked for a collateral purpose, the already calculated potential collateral valuations ~~is~~ are updated accordingly **{T2S.03.060}**;

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3.5.9 Auto-collateralisation

3.5.9.3 Description of the functions of the module, page 453

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- | Where the buying securities are:
 - Eligible for an auto-collateralisation in the relevant combination of currency and credit provider **{T2S.16.899}**,
 - Eligible for the CSD of the credit provider,
 - Without an applicable valuation of the securities for the benefiting T2S Party by the credit provider² **{T2S.08.690}**.

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The auto-collateralisation on stock complements, when requested, the intraday credit capacity on flow. The function selects the securities positions:

- | Belonging to a securities account:
 - Linked for collateral supply to the considered *T2S Dedicated Cash Account* (case of CB collateralisation) or credit memorandum balance (case of client-collateralisation) **{T2S.08.630}**,
 - Without any applicable intraday settlement restriction;
- | Earmarked for an auto-collateralisation purpose in the relevant currency **{T2S.08.610}** **{T2S.08.650}** **{T2S.08.651}**;
- | Related to securities:
 - Eligible for an auto-collateralisation purpose in the relevant combination of currency and credit provider **{T2S.16.899}**;
 - Eligible for the CSD of the credit provider;

² The benefiting T2S Party is either the owner of the T2S Dedicated cash account where the lack takes place (CB collateralisation) or the owner of the credited securities account (client-collateralisation)

- For which no close link is identified or an own-used valuation is present with the benefiting T2S Party ³ {T2S.08.690},
- Without any intraday restriction.

The function retrieves in the dynamic data of the T2S system the collateral values of each selected securities position for the considered currency and credit provider either an Eurosystem Central Bank, a non-Eurosystem central bank or payment bank {T2S.03.360} {T2S.06.720} {T2S.16.690}.

Two valuations are possible. The standard valuation based on the price of the security in the collateral valuation currency where there is no close link between the credit consumer and the security provided as collateral. The own-use valuation the price of the security in the collateral valuation currency where there is a close link between the credit consumer and the security provided as collateral {T2S.16.520}.

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I The cash movement:

- Debits the deliverable cash balance of the T2S Central Bank account for an amount corresponding to the collateral values of the securities collateralised,
- Credits the cash balance having the lack.

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3.5.9.4 Multi-currency aspects, page 458

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Collateral value calculation for securities eligible as collateral in different currencies

The T2S static data stores the collateral price of securities for each currency for which the securities is eligible to auto-collateralisation. T2S is provided with these collateral prices by each relevant Collateral Management System that manages this security as eligible collateral for the auto-collateralisation. During the auto-collateralisation process, in case securities are considered as eligible collateral in different currencies, the collateral values are calculated using the collateral price based on the valuation price and own-use valuation price denominated in the currency of the needed intraday credit.

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3.5.10.4 Processing of UC-SI-5 Intra CSD-Standard DVP with Auto-collateralisation, page 469

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Processing

The processing in the Auto-collateralisation module is different for a lack of cash or insufficient external guarantee headroom and for a lack of securities.

In case of a lack of cash or insufficient external guarantee headroom, the *Auto-collateralisation* module:

- I Checks the eligibility of the securities to auto-collateralisation for the credit provider in the relevant currency ~~and without close link~~ identified with the benefiting T2S Party by the credit provider;

³ The benefiting T2S Party is either the owner of the T2S Dedicated cash account where the lack takes place (CB collateralisation) or the owner of a securities account credited by the underlying *Settlement Transactions* at the origin of the insufficient external guarantee headroom.

- I Checks if the credit consumer has an allowed close link with a present own-used valuation or not allowed one with a null valuation;
- I Values the requested collateral amount, resorting preferably to auto-collateralisation on flow – use of credited securities position which are earmarked for collateral purpose - complemented if necessary with auto-collateralisation on stock;

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UDFS v5.0

1.1.1.4 Multi-currency aspects, page 23

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The auto-collateralisation facility provided by a central bank or a payment/settlement bank is available for all T2S settlement currencies. Auto-collateralisation in a given currency is available for a given T2S Actor if the relevant credit provider agrees to provide intraday credit through auto-collateralisation. Besides, the list and valuations (valuation price and own-use valuation price) of eligible collateral have to be provided for each T2S settlement currency, since the collateral eligibility and valuation are managed for each T2S settlement currency (See section Scope of multi-currency features of T2S [□ 85]).

1.2.3.2 Auto-collateralisation eligibility, securities valuation and close links, page 83

"The CB and the payment banks acting as credit providers provide their respective price. If applicable, CBs and payment banks may also provide a second price to be applied for the valuation of own-used assets, which will be applied in cases where a Close Link exists."

1.6.1.9.4 Auto-collateralisation, page 405

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Overview

The automatic provision of intraday credit through auto-collateralisation in T2S is managed by the credit provider configuring the following parameters in the static data about:

- The accounts to be used;
- The procedure for the management of the collateral;
- The eligible collateral and its valuations (valuation price and own-use valuation price);
- The maximum amount which can be provided per credit consumer;
- The maximum credit percentage of intraday credit which can be provided by the central bank in addition to the missing amount ²¹⁶.

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Auto-collateralisation process, page 406

Static data configurations by the credit provider

For the provision of intraday credit through auto-collateralisation in T2S, credit providers (i.e. central banks for central bank collbi10013ateralisation and payment/settlement banks for client-collateralisation) must first set in the static data the following parameters:

PARAMETER	FOR CENTRAL BANK COLLATERALISATION	FOR CLIENT-COLLATERALISATION
..		
Cash accounts for intraday credit provision through auto-collateralisation	Central banks are required to determine in static data the T2S central bank cash account debited to provide intraday credit through auto-collateralisation in T2S in a given currency.	No specific configuration is required.
Eligible collateral and collateral prices	Central banks and payment/settlement banks are required to provide to T2S the list of securities accepted as collateral and, each settlement day, the associated <u>valuation prices and optionally own-use valuation prices</u> in the currency of the intraday credit (See configuration in section Securities static data [□ 73]). <u>Auto-collateralisation will exclude securities with a close link unless an own-use valuation price is defined.</u> The provision of these parameters may take place through collateral management systems.	
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Intraday credit capacity provided by the available collateral page 410

T2S then checks if the collateral available on flow and on stock identified by the credit consumer is sufficient to cover the identified missing resources. Both collateral on flow and collateral on stock are taken into account if all the following conditions are met:

CONDITIONS	COLLATERAL ON FLOW	COLLATERAL ON STOCK
..		
Eligible collateral for the CSD holding the securities account where the collateral is moved in case of cross-CSD mobilisation.	The ISIN involved in the receiving Settlement Instruction is eligible for settlement in the CSD holding the securities account where the collateral is moved.	The ISIN of the securities position for collateral supply is eligible for settlement in the CSD holding the securities account where the collateral is moved.
Collateral without identified close link <u>or own-use valuation price</u>	The ISIN involved in the receiving Settlement Instruction has no close link identified in T2S with the credit consumer <u>or has a close link with an own-use valuation price</u> (See section Auto-collateralisation eligibility, securities valuation and close links [□ 80]).	The ISIN of the securities position for collateral supply has no close link identified in T2S with the credit consumer <u>or has a close link with an own-use valuation price</u> (See section Auto-collateralisation eligibility, securities valuation and close links [□ 80]).
Security without intraday restriction	The ISIN involved in the receiving Settlement Instruction is not subject to an intraday restriction.	The ISIN of the securities position for collateral supply is not subject to an intraday restriction.
..		

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Parameters synthesis page 425

The following parameters are specified by the T2S Operator or by the T2S Actor.

CONCERNED PROCESS	PARAMETER	CREATED BY	UPDATED BY	MANDATORY / OPTIONAL	POSSIBLE VALUES	STANDARD OR DEFAULT VALUE
..						N/A
Central bank collateralisation and client collateralisation	Eligible collateral	T2S Actor	T2S Actor	M	N/A	N/A
Central bank collateralisation and client collateralisation	Collateral price per eligible collateral	T2S Actor	T2S Actor	M	Valuation in a given currency	N/A
<u>Central bank collateralisation and client collateralisation</u>	<u>Collateral own-use price per eligible collateral</u>	<u>T2S Actor</u>	<u>T2S Actor</u>	<u>O</u>	<u>Valuation in a given currency</u>	<u>N/A</u>
Central bank collateralisation and client collateralisation	Close links	T2S Actor	T2S Actor	O	N/A	N/A
..	Central bank collat-	T2S Actor	T2S Actor	M	N/A	"0"

	eralisation limit					
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Example 117 - Central Bank Collateralisation (page 435)

Once all potential collateral are identified, T2S calculates the intraday credit capacity summing all calculated collateral valuations (valuation price and own-use valuation price) of the identified securities position (40,000.00+19,110.00+6,750.00 = EUR 65,860.00). Since it is higher than the requested intraday credit, the auto-collateralisation process continues

3.3.6.18 CollateralValueCreationRequestV01 (reda.024.001.01)

Message specification to be amended:

- to accommodate the provision of a second price for own-used assets.
- to group Message Identification and Creation date and time in a new header tag structure, according with the reda registered messages;
- to align Party Identification structure to the one foreseen by MR2019 (the BIC pattern will be maintained to the old pattern - ISO 9362 (2009) version).

4.1 Index of Business Rules and Error Codes

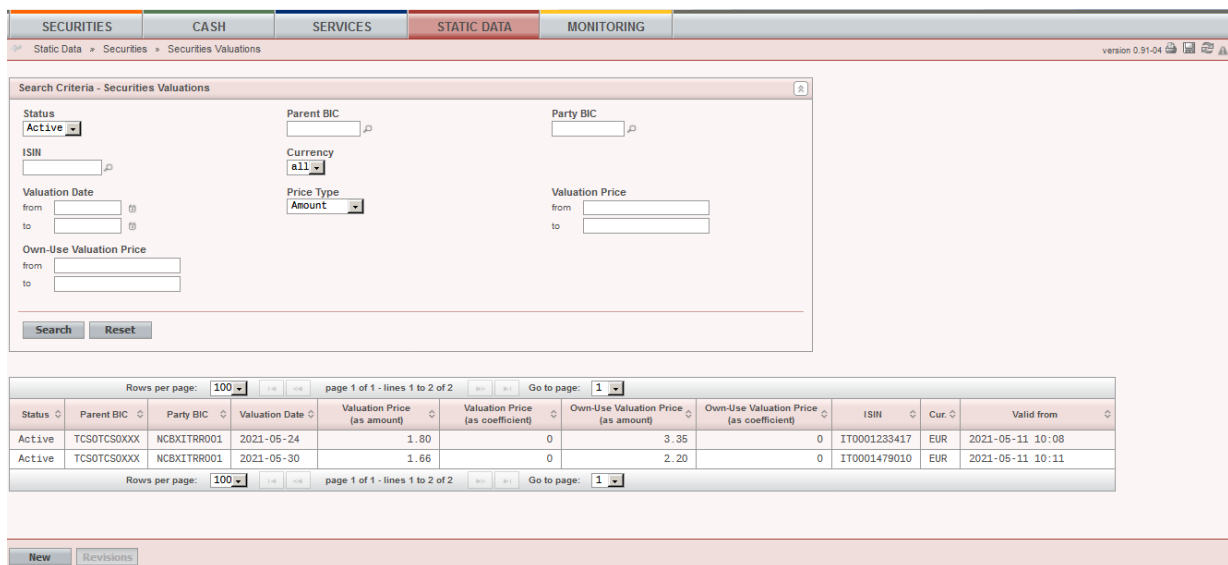
DSC3020	When performing a Securities Valuation Create request, the values provided for the <u>Price and Own-Used Asset Price</u> must be compliant with the Securities Settlement Type.	reda.024	reda.028		REJT	Price not compliant with Securities Settlement Type
DSC3800	When performing a Securities Valuation Create request, the number of decimals in the values provided for <u>Price (as amount) and Own-Used Asset Price (as amount)</u> must be compliant with the number of decimals foreseen for the relevant currency.	reda.024	reda.028		REJT	Invalid number of decimals

4.5 Securities valuation bulk file format specifications

Flat file specifications to be amended to accommodate the provision of a second price for own-used assets wording proposal provided in Annex 1).

UHB v5.02.5.2.8 Securities Valuations – Search/List Screen

Screenshot to be updated as below.



2.5.2.8 Securities Valuations – Search/List Screen

Field

Description

Securities Valuations – Search Criteria	
[...]	[...]
Valuation Price from	Enter the lower bound of the price. Required format is: max. 18 digits incl. decimal point (thereof max. 5 decimal places and decimal point).
Valuation Price to	Enter the upper bound of the price. Required format is: max. 18 digits incl. decimal point (thereof max. 5 decimal places and decimal point). The upper bound of the price to must be equal to or greater than price from.
Own-Use Valuation Price from	Enter the lower bound of the own-use price. Required format is: max. 18 digits incl. decimal point (thereof max. 5 decimal places and decimal point).
Own-Use Valuation Price to	Enter the upper bound of the own-use price. Required format is: max. 18 digits incl. decimal point (thereof max. 5 decimal places and decimal point). The upper bound of the price to must be equal to or greater than price from.
Currency	Select the currency from the drop-down menu. The default value is 'all'.

Securities Valuations – Search Criteria	
Securities Valuations – List	
[...]	[...]
Valuation Price (as amount)	Shows the valuation price as amount.
Valuation Price (as coefficient)	Shows the valuation price as coefficient.
<u>Own-Use Valuation Price (as amount)</u>	<u>Shows the own-use valuation price as amount.</u>
<u>Own-Use Valuation Price (as coefficient)</u>	<u>Shows the own-use valuation price as coefficient.</u>
Currency	Shows the currency code.
Valid from	Shows the date and time from which the valuation is valid.
Sent to Settlement	Shows whether the valuation has been already acquired into the settlement module or not.

2.5.2.9 Securities Valuation – New Screen
 Screenshot to be updated as below.

The screenshot shows a web-based form for 'Securities Valuation'. The form is located within a navigation bar that includes tabs for 'SECURITIES', 'CASH', 'SERVICES', 'STATIC DATA', and 'MONITORING'. The current page is 'STATIC DATA', and the breadcrumb trail is 'Static Data > Securities > Securities Valuations > New Security Valuation'. The form itself has a title bar 'Securities Valuation' and a close button. It contains the following fields:

- Party** section:
 - Parent BIC * (text input)
 - Party BIC * (text input)
- Valuation Date *** (date picker, showing 2021-05-10)
- ISIN *** (text input, showing IT0001233417)
- Currency *** (dropdown menu, showing --)
- Valuation Price (as amount) *** (text input)
- Own-Use Valuation Price (as amount) *** (text input)

At the bottom of the form, there are 'Submit' and 'Cancel' buttons.

2.5.2.9 Securities Valuation – New Screen

Illustration 128: Securities valuation – new screen

**Field
Description**

Securities Valuation	
Party	
Parent BIC*	<p>Select the parent BIC of the party.</p> <p>Required format is: max. 11 characters (SWIFT-x)</p> <p>References for error messages [2429]:</p> <ul style="list-style-type: none"> DSC3001 DSC3050 DSC3060
Party BIC*	<p>Select the BIC of the party.</p> <p>Required format is: max. 11 characters (SWIFT-x)</p> <p>References for error messages [2429]:</p> <ul style="list-style-type: none"> DSC3001 DSC3050 DSC3060
Valuation Date*	<p>Enter the date from which the valuation applies. The default value is the current business date.</p> <p>Required format is: YYYY-MM-DD</p> <p>References for error messages [2429]:</p> <ul style="list-style-type: none"> DSC3050 DSC3205 <p>The valuation date must be equal to or later than the current business date.</p>
ISIN*	<p>Enter the ISIN of the security.</p> <p>Required format is: max. 12 characters (SWIFT-x), input sensitive</p> <p>References for error messages [2429]:</p> <ul style="list-style-type: none"> DSC3040 DSC3050

Securities Valuation	
Price* (as amount)	<p>Enter the price of the security in terms of amount of the valuation.</p> <p>Required format is: max. 18 digits incl. decimal point (thereof max. 5 decimal places and decimal point).</p> <p>References for error messages [2429]:</p> <ul style="list-style-type: none"> DSC3020 DSC3800 <p>Only one of the fields will be shown on the basis of the 'Settlement Type' of the relevant security: amount is needed when the 'Settlement Type' is set to 'Unit' and decimal value when it is set to 'Nominal' (the ISIN must be specified before the user can input a price field).</p>
Price* (as coefficient)	<p>Enter the price of the security in terms of coefficient of the valuation.</p> <p>Required format is: max. 18 digits incl. decimal point (thereof max. 17 decimal places and decimal point).</p> <p>Only one of the fields will be shown on the basis of the 'Settlement Type' of the relevant security: amount is needed when the 'Settlement Type' is set to 'Unit' and decimal value when it is set to 'Nominal' (the ISIN must be specified before the user can input a price field).</p>
<u>Own-Use Price (as amount)</u>	<p><u>Enter the own-use price of the security in terms of amount of the valuation.</u></p> <p><u>Required format is: max. 18 digits incl. decimal point (thereof max. 5 decimal places and decimal point).</u></p> <p><u>References for error messages [2429]:</u></p> <ul style="list-style-type: none"> <u>DSC3020</u> <u>DSC3800</u> <p><u>Only one of the fields will be shown on the basis of the 'Settlement Type' of the relevant security: amount is needed when the 'Settlement Type' is set to 'Unit' and decimal value when it is set to 'Nominal' (the ISIN must be specified before the user can input a price field).</u></p>

Securities Valuation	
Own-Use Price (as coefficient)	<p>Enter the own-use price of the security in terms of coefficient of the valuation.</p> <p>Required format is: max. 18 digits incl. decimal point (thereof max. 17 decimal places and decimal point).</p> <p>Only one of the fields will be shown on the basis of the 'Settlement Type' of the relevant security: amount is needed when the 'Settlement Type' is set to 'Unit' and decimal value when it is set to 'Nominal' (the ISIN must be specified before the user can input a price field).</p>
Currency*	<p>Select the currency from the drop-down menu.</p> <p>References for error messages [2429]:</p> <ul style="list-style-type: none"> DSC3030 DSC3050

6.3.3.170 Securities Valuation – Search/List Screen (List of Privileges)

Privilege	Privilege Code	Privilege Type	Object Types	Screen Criteria
Securities Valuations Query	SEQ_SecuritiesValuationsQuery	System Object	n/a Party	n/a

6.3.3.169 Securities Valuation – New Screen (List of References for Error Messages)

Reference for error message	Field or Button	Error Text	Description
DSC3020	<ul style="list-style-type: none"> Price field <u>Own-Use Price field</u> Submit button 	Price not compliant with Securities Settlement Type	When performing a Securities Valuation Create request, the values provided for the Price and Own-Used Asset Price must be compliant with the Securities Settlement Type.
DSC3800	<ul style="list-style-type: none"> Price field <u>Own-Use Price field</u> Submit button 	<u>Invalid number of decimals</u>	When performing a Securities Valuation Create request, the number of decimals in the values provided for Price (as amount) and Own-Used Asset Price (as amount) must be compliant with the number of decimals foreseen for the relevant currency.

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION	
T2S Specific Components	Common Components
LCMM	
	Instructions validation
	Status management
	Instruction matching
	Instructions maintenance
	Penalty Mechanism
Settlement	
X	Standardisation and preparation to settlement
	Night-time Settlement
	Daytime Recycling and optimisation
X	Daytime Validation, provisioning & booking
	Auto-collateralisation
Liquidity Management	
	Outbound Information Management
	NCB Business Procedures
	Liquidity Operations
T2S Interface (as of June 2022 without Static Data Management, Communication for SDMG, Scheduler, Billing)	
	Communication
	Outbound Processing
	Inbound Processing
Static Data Management (until June 2022)	
	Party data management
X	Securities data management
	Cash account data management
	Securities account data management
	Rules and parameters data management
Common Reference Data Management (from R6.0 June 2022)	
	Party data management
	Securities data management
	Cash account data management
	Securities account data management
	Rules and parameters data management
Statistics and archive	
X	Statistical information (until June 2022)
X	Legal archiving (until June 2022)
	Short term statistical information
	Legal archiving (from R6.0)
	Data Warehouse (from R6.0)
Information (until June 2022 containing reference data)	
	Report management
X	Query management
	Communication
	Outbound Processing
	Inbound Processing
Operational Services	
	Data Migration (T2S DMT)
	Data Migration (CRDM DMT, from R6.0)
	Scheduling (until June 2022)
	Business Day Management (from R6.0)
	Business Day Management business interface (from R6.0)
	Billing (until June 2022)
	Billing (from R6.0)
	Billing business interface (from R6.0)

	Operational Monitoring		Operational and Business Monitoring
	OMEGA Templates		

Impact on major documentation			
Document	Chapter	Change	
Impacted GFS chapter	3.5.2.5 Description of the data related to limits and restrictions 3.5.4 Multi-currency aspects 3.5.5 Standardisation and Preparation to Settlement 3.5.6 Daytime Validation, Provisioning and Booking 3.5.9 Auto-collateralisation 3.5.10.4 Processing of UC-SI-5 Intra CSD-Standard DVP with Auto-	Include the additional valuation	
Impacted UDFS chapter	1.1.1.4 Multi-currency aspects 1.2.3.2 Auto-collateralisation eligibility, securities valuation and close links 1.6.1.9.4 Auto-collateralisation 3.3.6.18 CollateralValueCreationRequestV01 (reda.024.001.01) 4.1 Index of Business Rules and Error Codes 4.5 Securities valuation bulk file format specifications	Include listing of own-use valuations. Description of the own-use price. Include description for valuations including own-use prices. Message specification to be amended in order to accommodate the second price, the new head structure and changes to the Party Identification structure. Modify business rules DSC3020 and DSC3800. File specification to be amended in order to accommodate the second price.	
Additional deliveries for Message Specification	CollateralValueCreationRequestV01 (reda.024.001.01)	Message specification to be amended in order to accommodate the second price, the new head structure and changes to the Party Identification structure.	
UHB	2.5.2.8 Securities Valuations – Search/List Screen 2.5.2.9 Securities Valuation – New Screen 6.3.3.170 Securities Valuation – Search/List Screen (List of Privileges) 6.33.169 Securities Valuation – New Screen (List of References for Error Messages)	Screenshot to be amended. New search and list fields for own-use prices. Screenshot to be amended. New input fields for own-use prices. Change Securities Valuations Query to be an object privilege (object type Party). Modify business rules DSC3020 and DSC3800.	
Other documentations	Securities valuation bulk file format specifications	File specification to be amended in order to accommodate the second price.	
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

New Securities valuation fields will be added to include Own-Use Prices (as amount and coefficient).

Business rules DSC3020 and DSC3800 will be modified to cover the new fields.

The related message specifications, bulk loading flat file specifications and GUI screen specifications will be aligned accordingly.

In order to maintain Securities Valuations for Eurosystem NCBs, an ECMS User should be defined under the ECB Party (in order to use the A2A channel) and/or the ECMS distinguished name should be defined in the white list for using the flat file channel. The maintenance of Eurosystem NCB Securities Valuations in contingency situations on T2S side (e.g. in the event of a misalignment with ECMS data) should be requested by the Eurosystem NCBs themselves to the T2S Operator and carried out by means of an operational procedure to be specified.

The access rights criteria for querying Securities Valuations will be updated so that the "Securities Valuations Query" privilege will be turned into an object privilege (with secured object Party) and the related query will be modified in order to allow Eurosystem CBs and Payment Banks to also view the Securities Valuations defined within the ECB's system entity (which are valid for the auto-collateralisation process of all Eurosystem Parties) following the assignment of the correct object privilege.

The Securities Valuation List Query will be changed in order to be able to transport the information of the two new fields (Own-Use Prices as amount and coefficient) and fill the GUI screen respectively.

The valuation calculation will be fully reviewed to take into account the own used price and to distinguish between Eurosystem and non Eurosystem CBs.

The assumption is that collateral information (close links, prices, ...) related to Euro-collateralisation provided by non-Euro CB will always be provided by the relevant non-Euro CB.

Eurosystem CBs will be identified by means of an Attribute domain maintained by the T2S Operator. The Attribute Domain will be named "Eurosystem Central Banks" and consist of a single list of string values each containing the Party BIC of a Eurosystem CB.

Based on the analysis, a backward compatibility (so called "switch-on/off" mechanism) is required to coordinate the deployment of the new functionality with the ECMS go-live (November 2023), although deploying the change before that date would eliminate the need for ECMS to manage both scenarios (pre- and post-change) and therefore reduce impact on ECMS side.

This switch will be set to "off" at the deployment of the CR and to "on" (e.g. via LLI) at ECMS go-live.

Implementing the CR in advance of the ECMS go-live would entail an additional effort on the part of the Central Banks' CMSs which would have to manage the new functionality in the interim period until ECMS goes live. In order to avoid this, from SDMG point of view it would be necessary to allow backwards compatibility with the existing functionality, i.e. T2S should be able to accept two variants of the flat file for loading securities valuations, in order to allow CBs to keep using the current versions without having to manage the own-use asset price. If SDMG does not receive a value for the own-use asset price, the field will be left empty. Once ECMS goes live, the older variant of the flat file should no longer be accepted. The reda.024 will only be implemented in the new format to manage two valuations, as T2S does not support two variants of the same message.

The CBs are kindly asked to confirm that they will use the two variants of the flat file in the interim period between the implementation of CR-0574 in T2S and the go-live of ECMS as the usage of the new reda.024 might have impact on their CMS.

During the interim period between the functionality deployment and ECMS go-live, Settlement should continue to consider the valuations stored under each Eurosystem CBs' system entity as no valuation will be present under the ECB's system entity.

To allow this, a "switch" mechanism will be implemented so as :

- When switch is "off", settlement considers the valuations stored under each Eurosystem CBs' system entity
- When switch is "on", settlement considers the valuations stored under the ECB's system entity.

The scope of the releases has changed. When reassessing this CR, we have evaluated impacts on LTSI (new fields for securities valuation, update ODS/DWH and SD universe, testing SD (check attribute domain)) and LEA (testing).

Main cost drivers:

Impact on Static Data management functions and related GUI Screens/A2A messages (coordination with SWIFT required).

Impact on flat file specifications.

Adapt query and calculation method for collateral values in queries

Impact on collateral valuation function. Assessment performed on the basis of a joint implementation of CR530 and CR574. Should they be implemented in different released, the costs for each of them would be higher.

<p><u>Maintenance cost category:</u> maintenance of new functionality.</p> <p><u>CR category:</u> scope enhancement.</p>
<p>Impact on other TARGET Services and projects</p> <p>CSLD: Change in CRDM (Securities Valuation) needs to be reflected in the DWH. No impact on TIPS. No impact so far on ECMS project.</p>
<p>Summary of project risk</p> <p>None.</p>
<p>Security analysis</p> <p>No adverse effect has been identified during security assessment.</p>



Cost assessment on Change Requests

T2S-574-SYS – Applying additional haircuts to own-used assets in T2S auto-collateralisation			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	20,000.00	Euro
One-off	Development costs	670,354.98	Euro
Annual	Operational costs		
	- Maintenance costs	56,811.42	Euro
	- Running costs	0.00	Euro

*The relevant assessment costs will be charged regardless of whether the CR is implemented (Cf. T2S Framework Agreement, Schedule 7, par. 5.2.3).