

General Information (Origin of Request)		
<input checked="" type="checkbox"/> User Requirements (URD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Banque de France on behalf of the T2S French NUG	Institute: Central Bank	Date raised: 09/12/2015
Request title: Additional automatic intraday reimbursement of NCB auto collateralisation instructions		Request ref. no: T2S 0580 URD
Request type: Common		Urgency: Normal
1. Legal/business importance parameter: Medium	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Medium	4. Financial impact parameter: High	
Requestor Category: Central Bank	Status: Preliminary assessed	

Reason for change and expected benefits/business motivation:

The intraday credit provided through NCB auto-collateralisation aims at automatically covering a lack of cash with secured eligible collateral in T2S.

The provision of intraday credit includes the generation of collateral settlement instructions (and settlement restrictions in case of Pledge-sub model) by T2S. In addition on-hold reverse collateral settlement instructions (and settlement restrictions in case of Pledge-sub model) are simultaneously generated with the opening leg of auto-collateralisation instructions.

The actual process for NCB auto-collateralisation includes the generation of:

- The opening legs of collateral instructions which settle on an all-or-none basis with the original business instructions.
- The reverse collateral settlement instructions which are reimbursed later :
 - Either intraday by the payment/settlement bank manually releasing the on-hold instructions
 - Or intraday dynamically by T2S to solve a lack of securities
 - Or at 4.30pm automatically by T2S during the reimbursement process.

Business justification: The French market wishes to have the option for an additional automatic reimbursement during intraday:

- to limit the risk of non-reimbursement at the automatic reimbursement cut-off at 4.30pm
- to improve the liquidity management

Description of requested change:

The only automatic T2S reimbursement is at 4.30pm. During intraday, reimbursement instructions have to be released manually one by one by the payment banks.

The additional automatic intraday reimbursement of NCB auto-collateralisation instructions will be an option for the Payment Banks. The payment banks wish to be able to automatically trigger intraday the pending reimbursement instructions that can be settled with all the available cash in the DCA.

- This option will be available per DCA, not at the party level. The reimbursement will be carried out with available DCA cash, independently of the other DCAs. The auto-collateralisation will be reimbursed only with the DCA where the auto-collateralisation will have been granted.
- The intraday reimbursement will consume all available cash up to the full reimbursement of auto-collateralisation. Only the available cash of the DCA will be used. Blocked or reserved cash will not be used for the reimbursement of auto-collateralisation.

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- In case of insufficient cash to settle all the pending reimbursement instructions, the following order applies:
 - The instructions with the largest amounts will be reimbursed in priority in order to use the maximum of cash available.
 - If the largest instruction amount cannot be reimbursed, according to the cash available, T2S will attempt to reimburse the following large pending instructions till the smallest instructions.
 - The automatic intraday reimbursement of NCB auto-collateralisation will be triggered during the period of "Real Time Settlement".
 - The participant will be able to choose between 1 up to 5 slots to trigger the reimbursement intraday.
The time for each slot:
 - After the Night Time Settlement
 - 11h00 am
 - 12h30 am
 - 13h45 pm
 - 15h30 pmThe 5 pre-defined time slots should be parameterised in T2S, i.e. if they need to be changed in the future. It will be done by raising a Change Request to change relevant parameters rather than changes to the software.
 - The set-up of time slots parameter will be carried out by the NCB on the basis of the form filled in by the Payment Banks, as part of the NCB auto-collateralisation service. The set-up will be activated the next T2S business day and is not intended to be changed regularly.
 - The information about the relevant timeslots per DCA should be queryable. Therefore the "T2S Dedicated Cash Account - Details Screen" should be enriched by the information which of the optional timeslots for auto-collateralisation reimbursement is relevant / has been chosen for the respective DCA.

Collateral relocation will not be triggered after the additional automatic intraday reimbursement. The collateral relocation is a process only carried out if some reimbursement auto-collateralisation instructions remain unsettled when the automatic reimbursement is triggered by T2S at 4.30pm.

Whichever option is chosen by the payment bank, the automatic reimbursement by T2S at 4.30pm will be processed, if needed.

Note:

- ✓ There is an open CR T2S-0541-URD "Bulk-release functionality (U2A) for settlement instructions" which will allow T2S GUI users to bulk-release pending settlement instructions (e.g. pending reverse collateral instructions of T2S auto-collateralisation). This functionality is manual and will have to be triggered by the payment banks.
- ✓ As a reminder, partial reimbursement is not authorised for the auto-collateral instructions:
"The reverse collateral Settlement Instruction cannot be subject to a partial settlement (i.e. their partial settlement indicator is set to "No")" UDFS v2.1 page 380.

Submitted annexes / related documents:

UDFS (v2.0) 1.6.1.9.4 Auto-collateralisation

Proposed wording for the Change request:

High level description of Impact:

Outcome/Decisions:

* CRG meeting of 15 December 2015: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 2.0

* CRG meeting on 6 September 2016: The CRG indicated that after the Change Request is updated (if the update is finally required), it can be considered mature from a content point of view and therefore, it is ready for its preliminary assessment.

* CRG on 17 October 2016: During the written procedure from 10 - 17 October 2016, the CRG recommended to launch the preliminary assessment on the Change Request from 24 October 2016 to 15 November 2016 (batch 2).

* OMG on 08 November 2016: During a written procedure from 28 October - 08 November 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request.

* CRG telco on 16 November 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:** U2A, SETT, LTSI, SDMG

No further functional, technical and risk related issues have been identified beyond the elements already described in the Change Request.