

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: Euroclear	Institute: CSD	Date raised: 20/10/2016
Request title: T2S should allow and process already matched instructions which include the counterparty's securities sub-position to be used for settlement purposes		Request ref. no: T2S 0638 SYS
Request type: Common	Urgency: Normal	
1. Legal/business importance parameter: Medium	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: Medium	
Requestor Category: CSD	Status: Preliminary assessed	

Reason for change and expected benefits/business motivation:

At present when a CSD or CSD participant is sending an already matched instruction to the T2S platform, it can only populate in the sese.023 instruction the securities sub-balance type of one party of the transaction and cannot populate this data for both counterparts. The sub balance type can be populated only for the party considered as the 'account owner' (the deliverer if the already matched is a DELI or the receiver if the instruction is a RECE). The sub-balance type of the counterparty is considered by default as AWAS (i.e. available position).

This is due in particular to existing limitation in ISO standards.

This creates an issue in the following business scenarios:

- when a CSD, CCP or trading platform has received permanent instructions from its members to use a sub balance type different from AWAS (e.g. earmarked for auto-collateralisation) in the instructions he sends on its behalf, it can use already matched instructions only if one party has made such a request. If both parties have made same request, the only way is to send 'to be matched instructions'.
- Also because of this constraint when any participant is willing to create already matched instruction to deliver securities from one sub balance type to another one, within the same securities account, it must change the direction of the instruction (DELI or RECE) depending on whether the sub balance type is on the debit or the credit side.

So current set up creates unnecessary complexities and costs to the users.

Description of requested change:

T2S should allow already matched instructions including the 'securities sub-balance type id' of both party and counterparty. Beyond T2S, this will require a change in the format of sese.023 to support the securities sub-balance type of the counterparty.

T2S should allow the provision of the 'securities sub-balance type id' of the counterparty in A2A mode (i.e. sese.023), U2A mode (i.e. New Settlement Instruction screen) and through the Data Migration Tool.

Additionally, T2S should implement a new validation check to reject unmatched Settlement Instructions sent to T2S including the 'securities sub-balance type id' of the counterparty.

Submitted annexes / related documents:

Proposed wording for the Change request:

High level description of Impact:

High level description of Impact:
Outcome/Decisions:

- * CRG meeting on 12-13 December 2016: The CRG agreed to put the Change Request on hold.
- * CRG meeting on 28 February 2017: The CRG agreed that only sese.023 (Securities Settlement Transaction Instruction) should be in the scope of the Change Request. The CRG also recommended drafting the related ISO CR based on the SGMS proposal to replace the existing 'Securities Sub Balance Type' block by two new blocks (i) Delivering Securities Sub Balance Type (ii) Receiving Securities Sub Balance Type in the sese.023.
- * CRG meeting on 30 March 2017: The CRG recommended to launch the preliminary assessment on the Change Request.
- * Operational Managers Group on 4 May 2017: During a written procedure from 26 April - 4 May 2017, the Operations Managers Group did not identify any blocking operational impact of the Change Request.
- * CRG meeting on 04 July 2017: The CRG agreed to categorise the Change Request as scope enhancement. The CRG put the Change Request on hold for discussion in the context of the next prioritisation exercise
- * CRG on 26 March 2018: The CRG concluded that the requirements of these CRs were stable and complete

Preliminary Assessment:

- **Impact:** Medium
- **Impacted modules:** INTF (A2A and U2A), LCMM, LTSI, SETT (MSG), DMT (tbc)
- **Findings:**
 - The Settlement Instruction Query (semt.026) only reports restricted positions or balances in the U2A query since the semt.027 does not offer fields for this information. This CR does not change the scope of the SI query - only those restrictions are shown in the U2A response that refer to the SAC or DCA of the delivering party (for DELI instructions) or the receiving party (for RECE instructions) - not for the respective counterparty's accounts. To see counterparty information, the other leg of the transaction has to be queried (just as it is the case now) also for already matched instructions.
 - The relevant reports (Statement of Transactions - semt.017, Statement of Pending Instructions - semt.018) do not report restricted positions since the messages do not support this information.
 - The addition of the counterparty's securities sub-position will not be applied to any outgoing message, query response, report or U2A details screen as the attributes are reported at instruction level (I.e. each transaction leg will report its own securities Sub balance Type only).
 - The CR-0658 still under discussion at CRG implies the same change in T2S but involves different attributes. Therefore it would be beneficial to implement both CRs together.
 - The CR-0638 should be also implemented together with the related ISO CR on sese.023
- **Open issues/ questions to be clarified by the originator:**
 - In the version of the CR discussed in the CRG held in Frankfurt on the 28th of February, the CR included two additional requirements. The first requirement was related to the implementation of a logic to inform the securities sub-balance type in the outgoing message and was dropped from the CR after discussion in the CRG (as described in the meeting outcome).
 - However the second requirement was not officially dropped (no reference in the meeting outcome) and from 4CB point of view we understand it is beneficial and should remain in the CR. The requirement reads as follows: "*For to be matched transactions, the securities sub-balance type of the counterparty should not be populated*". If this requirement is kept, a new validation check / BR would need to be implemented in T2S accordingly. 4CB assumption is that the validation is to be implemented.

- CR-0638 only refers to changes in sese.023 while a Settlement Instruction can also be sent to T2S via U2A mode (Settlement Instruction New screen) and via DMT. 4CB assumption is that the update needs to be applied in all mentioned communication modes
- DMT impact to be confirmed by the CR originator.