

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Clearstream	Institute: CSD	Date raised: 22/02/2017
Request title: T2S should allow updates of maturity date for matured ISINs		Request ref. no: T2S 0655 SYS
Request type: Common	Urgency: Urgent	
1. Legal/business importance parameter: High	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: Medium	
Requestor Category: CSD	Status: Authorised at steering level	

Reason for change and expected benefits/business motivation:

Currently, it is not possible to apply any update to a matured ISIN. Related update requests are rejected with error code

- DSU1003 - When performing a Securities update request, it must refer to existing and active Securities with a maturity date that is greater than the current business date.

This is creating processing issues in cases where an ISIN was incorrectly matured. This might occur, e.g., due to mistakes made by the SME where wrong maturity date was set. However, recently there were also cases where SME CSDs deactivated OUT-CSD ISINs, and at the same time matured them. This activity immediately resulted in blocking the ISIN from settlement in any other CSD, even if the ISIN was not deactivated in those CSDs.

Currently, the only way to resolve those errors is a last level intervention by the T2S Operator to shift the maturity date to a future date, sometimes even accompanied by a change of SME. This process is complex and time consuming.

To avoid this complexity and to allow faster error resolution, it should be possible to shift the maturity date of a matured ISIN to a date in the future via user-triggered securities update. Business Rule DSU1003 should be adjusted accordingly.

Description of requested change:

For matured ISINs, T2S should allow updates of maturity date if the maturity date is shifted into the future.

Submitted annexes / related documents:

Proposed wording for the SYS Change request:

Business rule DSU1003 should be updated as follows:

When performing a Securities update request, unless it is purely a request to shift the maturity date to the future, it must refer to an existing and active Securities with a maturity date that is greater than the current business date.

UDFS v2.3 Section 4.1, Index of Business Rules and Error Codes

[...]	[...]	[...]	[...]	[...]	[...]
DSU1003	When performing a Securities update request, <u>unless it is purely a request to shift the maturity date to the future</u> , it must refer to an existing and active Securities with a maturity date that is greater than the current business date.	reda.007	reda.029	REJT	Unknown Securities

UHB v2.3 Section 6.4.2.168 Security – New/Edit Screen (list of error messages)

[...]	[...]	[...]	[...]
DSU1003	<ul style="list-style-type: none"> ■ Maturity Date field ■ Submit button 	Unknown Securities	When performing a securities update request, <u>unless it is purely a request to shift the maturity date to the future,</u> it must refer to an existing and active securities with a maturity date that is greater than the current business date.

High level description of Impact:

Outcome/Decisions:

- * CRG meeting on 28 February 2017: The CRG recommended the launch of preliminary assessment on the Change Request.
- * OMG on 14 March 2017: During a written procedure from 28 February - 14 March 2017, the Operations Managers Group did not identify any blocking operational impact of the Change Request.
- * CRG meeting on 24 April 2017: The CRG took note of the T2S functionalities/modules impacted by the Change Request following the 4CB preliminary assessment. The CRG also recommended to launch the detailed assessment on the Change Request and requested the 4CB to check the feasibility to deliver it as part of the Release 2.0 in principle subject to the final decision on the options to be pursued.
- * CRG on 5 May 2017: During the CRG written procedure from 25 April to 5 May 2017, the CRG agreed to defer the submission of all pending settlement instructions related to the updated ISIN for settlement until the next day, i.e. night-time settlement (option 2 identified during the preliminary assessment).
- * Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) on 12 May 2017: Following a written procedure from 8 to 12 May 2017, the AMI-SeCo was in favour of launching the detailed assessment on the Change Request.
- * CSD Steering Group on 15 May 2017: Following a written procedure from 8 to 15 May 2017, the CSD Steering Group was in favour of launching the detailed assessment on the Change Request.
- * OMG on 17 July 2017: During a written procedure from 6 July - 13 July 2017, the Operations Managers Group did not identify any blocking operational impact of the Change Request.
- * CRG teleconference on 20 July 2017: The CRG recommended the approval of the Change Request and its inclusion in the T2S Release 2.0 in principle subject to the 4CB update of the Change Request and related reduction of costs as the initially-foreseen queuing logic of maturity date updates until the end-of-day period, mentioned in the CR, is not required.
- * Operational Mangers Group on 27 July 2017: Following a written procedure from 20 - 27 July 2017, the Operations Managers Group reconfirmed that the Change Request does not have any blocking operational impact
- * Project Mangers Group meeting on 1 September 2017: The Project Managers Group was in favour of adding the Change Request to Release 2.0 from a planning perspective.
- * Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) on 7 September 2017: Following a written procedure from 4 to 7 September 2017, the AMI-SeCo was in favour of approving the Change Request and its inclusion in T2S Release 2.0.
- * CSD Steering Group on 8 September 2017: Following a written procedure from 4 to 8 September 2017, the CSG adopted the resolution to approve the Change Request and its inclusion in T2S Release 2.0.

Preliminary assessment:

- **Impacted modules:** SDMG, SETT

- **Financial impact parameter:** Medium (preliminary assessed)

- **Findings:**
 - In order to avoid impact on the auto-collateralisation process, a new queuing process will be put in place for modifications to an ISIN's maturity date. Such modifications will be put on hold until the End of Day (EoD) period and executed during that period. This queuing will apply only if all the following conditions are met:
 1. The change refers to a mature ISIN (i.e. the current value of the maturity date is in the past);
 2. The new maturity date of the ISIN is set to a value that is later than the current date;
 3. The ISIN is eligible for auto-collateralisation (i.e. an Auto-Collateralisation Eligibility Link exists for this ISIN)If any of the above conditions are not met, the change is performed immediately.

 - LCMM domain is not impacted by this CR as long as the BR update is limited to the update to the future (i.e. later than the current maturity date) of the maturity date of an ISIN already matured.

 - When this update is allowed in T2S due to the implementation of the CR, it will not affect any pending SI in the system as they would have already been cancelled the moment that the ISIN becomes matured (for SIs instructed by CSDPs, as instructions instructed by the CSDs are always valid regardless if the maturity date has been reached or not). The only exception to this would be matched settlement instructions in a matured ISIN with Settlement Status 'Pending' and Reason Code 'SBLO' (Securities Blocked) as a result of CR515: after the change in maturity date, LCMM will continue to cancel those instructions only after the new end date of the transformation period (i.e. New Maturity Date + Transformation Detection Period) but this will represent no departure from the approach already being considered by LCMM for CR515 implementation.

 - We understand as well that no more LLI of this kind will be requested by the users.

 - Lastly please note that from LCMM perspective the implementation of this CR has no effect on the assumption/assessment of CR-0515.

- **Open issues/ questions to be clarified by the originator:**

Once CR-0515 will be implemented, the settlement instructions related to matured ISIN and whose instructing party is not a CSD or a CCP for PFOD, will be ineligible for settlement and remain pending in T2S. This CR will make valid again an ISIN that used to be incorrectly matured. What should be the T2S behavior?

 - **Option 2:** Deferring the eligibility check on all pending settlement instructions related to the updated ISIN until the next SoD (**low impact on SETT**)
 - Option may have impact on the SoD.

EUROSYSTEM ANALYSIS – GENERAL INFORMATION

Impact On T2S	Static data management		Interface	
		Party data management	X	Communication
	X	Securities data management		Outbound processing
		T2S Dedicated Cash account data management		Inbound processing
		Securities account data management		
		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	4.1 Index of Business Rules and Error Codes	Modification of existing business rule DSU1003	
Additional deliveries for Message Specification			
UHB	UHB v2.3 Section 6.4.2.168 Security – New/Edit Screen (list of error messages)	Modification of existing business rule DSU1003	
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

Static Data Management
 Existing business rule DSU1003 to be modified to allow the change of the maturity date of a matured ISIN, as long as the new value is in the future. The related T2S INTF and message specifications will be updated. Internal tests should validate that the changes do not have impact on other SD object related to Securities.

Settlement

Intraday modifications of Maturity date should be replicated at Settlement level without triggering any eligibility reassessment on the pending Settlement Transactions

Interface

Testing the correct implementation on the Security New/Edit Screen and in the reda.007/reda.029.

LCMM

Testing for verification that there are no regressions in the interactions between SDMG and LCMM when processing static data notifications related to Securities updates, in line with CR expected behaviour. Identification and execution of test scenarios in combination with CR515, ensuring that the new maturity date is correctly taken into consideration.

Summary of project risk

None

Security analysis

No potentially adverse effect was identified during the security assessment.



24 July 2017

Cost assessment on Change Requests

T2S-655-SYS – T2S should allow updates of maturity date for matured ISINs			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One off	Project phase costs	97,284.27	Euro
Annual	Operational costs	9,495.45	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).