



EUROPEAN CENTRAL BANK

EUROSYSTEM

General Information (Origin of Request) <input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: OeKB CSD	Institute: CSD	Date raised: 12/12/2018
Request title: Recycling period of 60 business days for matched instructions		Request ref. no: T2S 0691 URD
Request type: Common	Classification: Scope enhancement	Urgency: Normal
1. Legal/business importance parameter: Medium	2. Market implementation efforts parameter: Medium	
3. Operational/Technical risk parameter: Medium	4. Financial impact parameter: No financial impact	
Requestor Category: CSD	Status: Allocated to a release	

Reason for change and expected benefits/business motivation:

In the current behaviour of T2S, some instructions may never reach a final status (settled or cancelled). For example, a matched instruction on party hold will remain in this status and might never be settled because the party hold will not be released by the participant. Even if one of the parties request a cancellation, it might also never be cancelled because for matched instruction, only a bilateral cancellation is possible

Currently, some CSDs have many instructions in status matched (some of them instructed before migrating to T2S) that might never be settled or cancelled by the instruction owner. In addition, this situation also occurs for instance in cases where Claim Instructions were generated, and afterwards the underlying instructions were cancelled by the participants: then the CLAI instructions remain in a matched status.

The CR raised here would have a positive impact for market participants in their operational work by avoiding a lot of bilateral coordination and communication, and also benefit the CSDs.

In cancelling matched trades after ISD+60 business days we would also see positive synergies in the T2S EOD processing and validation cycles.

Description of requested change:

Set the recycling period for matched instructions and settlement restrictions to 60 business days, instead of being unlimited. The period starts on the Intended Settlement Date or the date of the last status change of the instruction, depending on which date is later, e.g.:

- If there is no status change, an instruction which was matched in T2S before its ISD should be cancelled by T2S if not settled by EOD on ISD+60 business days
- If there is no status change, an instruction which was matched in T2S on its ISD should be cancelled by T2S if not settled by EOD on ISD+60 business days
- If there is no status change, an instruction which was matched in T2S on its ISD+50 business days should be cancelled by T2S if not settled by EOD 60 business days after matching (i.e. ISD+110 business days)

If there is a status change after matching, the 60-business day counter mentioned above is reset to 0 (another 60 business days must pass, without status change, for the matched instruction to be automatically cancelled by T2S). Any partial settlement (i.e. first or subsequent partial settlement) also resets the counter to 0.

Submitted annexes / related documents:

Proposed wording for the Change request:

The relevant requirement of URD should be updated as follows (revision marks are used):

Recycling and cancellation of matched instructions

Reference ID	T2S.05.460
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T2S shall recycle all unsettled matched instructions from any T2S actor for an indefinite period of time.

Recycling periods as T2S configuration parameters

Reference ID	T2S.11.900
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T2S shall support the configuration of one set separate recycling periods for all T2S Actors for

- Unmatched pending settlement instruction;
- And matched pending settlement instructions.

Although a recycling period for the latter is not foreseen currently in T2S, the configuration of a recycling period for matched pending instructions should be possible nevertheless as such business requirement may change.

[..]

Table 11-22– Configuration parameters for the recycling periods

Recycling Type	Recycling Period Relevant	Working Days
Unmatched pending settlement instruction	Y	20
Matched pending settlement instruction and settlement restrictions	N Y	n/a 60

GFS Updates:

3.3 Static Data Management

3.3.11 Rules and Parameters Data Management

3.3.11.7 Attribute domain

Attribute Domains can also be used to store definitions and values of T2S configuration parameters. A list of these configuration parameters is given hereafter:

[...]

- | Recycling period for unmatched pending settlement instruction: it is defined as the number of settlement days an unmatched pending settlement instruction can be recycled in T2S before being purged⁵⁵ {T2S.11.900} {T2S.11.910};
- | Recycling period for matched pending settlement instruction: it is defined as the number of settlement days an matched pending settlement instruction can be recycled in T2S before being purged {T2S.11.900} {T2S.11.910};

[...]

Footnote:

⁵⁵ The URD v.5.0 foresees the possibility to define also a recycling period for matched pending settlement instructions, which is not an actual business requirement at this stage. Should it be the case in the future, a new parameter recycling period for matched pending instructions would be defined as a new value for the configuration parameter attribute domain.

3.4 Lifecycle Management and Matching

3.4.4 Instruction Maintenance

3.4.4.3 Description of the functions of the module

4 – Instruction Cancellation by the System

[...]

- Recycling period for matched instructions:

This period defines the minimum time the system keeps matched instructions in the system. The period starts on the Intended Settlement Date or the date of the last status change of the instructions depending on which date is later. ~~The initial value for T2S will be set to an indefinite period.~~ T2S uses the default value of 60 working days.

[...]

UDFS Updates:

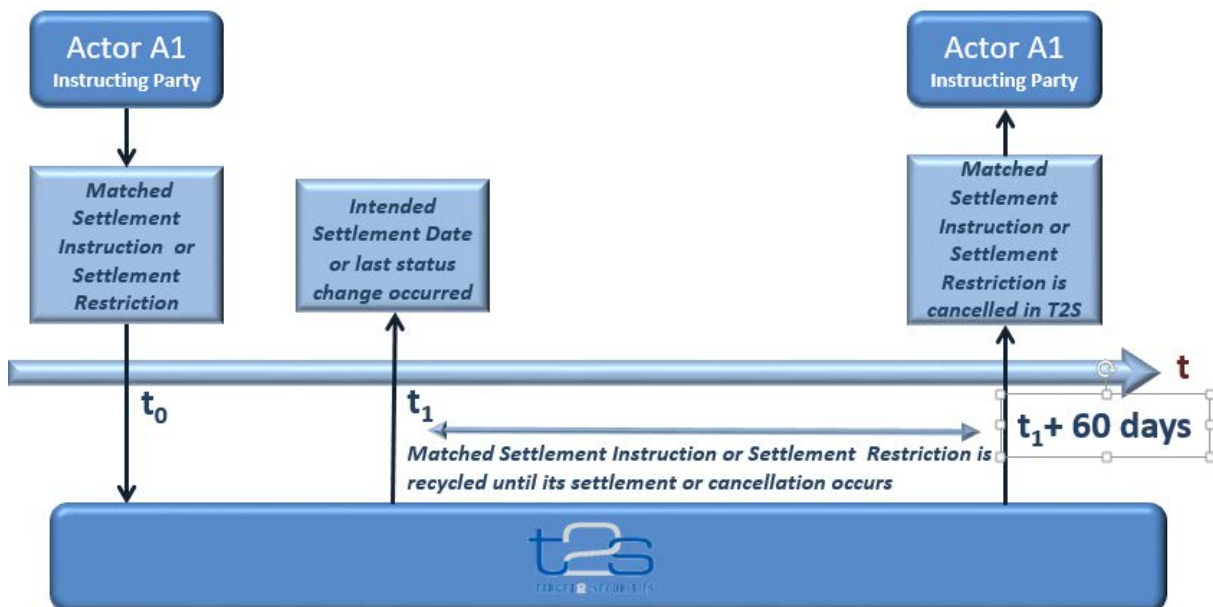
1.6.1.7 Instructions Recycling

1.6.1.7.3 Recycling Process

[...]

Pending Matched Instructions and Settlement Restrictions are recycled in T2S for a period of working days²¹⁰ configured by the T2S Operator until its settlement or cancellation occurs (See section Instruction Cancellation [□ 338]).

DIAGRAM 85 - RECYCLING PERIOD FOR MATCHED INSTRUCTIONS



Footnote:

210 Current recycling period for matched instructions unlimited of 60 working days.

[...]

1.6.1.7.4 Parameters Synthesis

No specific configuration from T2S Actor is needed. The following parameter is specified by the T2S Operator.

CONCERNED PROCESS	PARAMETER	CREATED BY	UPDATED BY	MANDATORY/ OPTIONAL	POSSIBLE VALUES	DEFAULT VALUE
Recycling	Recycling period for unmatched instructions	T2S Operator	T2S Operator	M	N/A	20 working days
Recycling	Recycling period for matched instructions	T2S Operator	T2S Operator	M	N/A	Unlimited 60 working days

High level description of Impact:

Outcome/Decisions:

- * CRG on 19 December 2019: the CRG agreed to recommend CR-691 for authorisation by the T2S Steering Level, following a fast-track procedure.
- * AMI-SeCo on 7 January 2020: the AMI-SeCo agrees to the recommendation of the CRG.
- * CSG on 8 January 2020: the CSG is in favour of authorising CR-691.
- * NECSG on 8 January 2020: the NECSG is in favour of authorising CR-691.
- * MIB on 28 January 2020: the MIB authorised CR-691.
- * CSG on 6 February 2020: The CSG decided to switch on the parameter for recycling settlement instructions for 60 business days in the first week of October 2020.
- * OMG on 24 February 2020: The OMG was informed that the proposed switch on date would be 5 October 2020.
- * CRG on 4 March 2020 : The CRG took note that following the CSG request to activate CR-691 in the first week of October 2020, the 4CB had proposed 5 October 2020 as activation date for the CR-691.
- * PMG on 5 March 2020: The PMG agreed to include CR-691 in the scope of R4.2 for updates to the SDDs
- * CRG on 30 March 2020: The CRG agreed to the updated documentation of CR-691.
- * OMG on 31 March 2020: The ECB team distributed to the OMG the presentation provided on 30 March 2020 to the CRG members
- * CSG on 3 April 2020: The CSG approved the allocation of this Change Request to T2S R4.2
- * NECSG on 3 April 2020: The NECSG approved the allocation of this Change Request to T2S R4.2.
- * MIB on 15 June 2020: The MIB approved the Service Transition Plan for R4.2, including CR-691

EUROSYSTEM ANALYSIS – GENERAL INFORMATION

T2S Specific Components		Common Components
LCMM		
	Instructions validation	
	Status management	
	Instruction matching	
X	Instructions maintenance	

	Penalty Mechanism	
Settlement		
	Standardisation and preparation to settlement	
	Night-time Settlement	
	Daytime Recycling and optimisation	
	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 Nov 2021)		Common Reference Data Management (from PROD R5.2 Nov 2021)
	Party data management	Party data management
	Securities data management	Securities data management
	Cash account data management	Cash account data management
	Securities account data management	Securities account data management
	Rules and parameters data management	Rules and parameters data management
Statistics and archive		Statistics and archive
	Statistical information (until Nov 2021)	Short term statistical information
	Legal archiving (until Nov 2021)	Legal archiving (from PROD R5.2)
		Data Warehouse (from PROD R5.2)
Information (until June 2022 containing reference data)		CRDM business interface (from PROD R6.0 June 2022)
	Report management	Report management
	Query management	Query management
		Communication
		Outbound Processing
		Inbound Processing
Operational Services		
	Data Migration (T2S DMT)	Data Migration (CRDM DMT, from PROD R5.2)
	Scheduling (until Nov 2021)	Business Day Management (from PROD R5.2)
		Business Day Management business interface (from PROD R6.0)
	Billing (until June 2022)	Billing (from PROD R5.2)
		Billing business interface (from PROD R6.0)
	Operational Monitoring	Operational and Business Monitoring

Impact on major documentation		
Document	Chapter	Change
Impacted GFS chapter	3.3.11 Rules and Parameters Data Management 3.3.11.7 Attribute domain	Add the definition of the recycling period for matched instruction as a configuration parameters, and delete the footnote (footnote number 55) that mention the existence of the

	3.4.4 Instruction Maintenance 3.4.4.3 Description of the functions of the module	recycling period for matched instructions as a less relevant configurable parameter. The configuration parameter for the recycling period for matched instructions needs to be updated
Impacted UDFS chapter	1.6.1.7.3 Recycling Process	The diagram 85 need to be updated to change the unlimited value of the configuration parameter to the new value. The footnote (footnote number 210) need to be updated with the same value of the recycling period.
	1.6.1.7.4 Parameters Synthesis	The parameters synthesis table specified by the T2S Operator related to the recycling process needs to be updated with the new value.
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		
<p>LCMM has to ensure that the new value of the parameter is correctly retrieve from the system parameter of the attribute domain to perform the correct recycling of pending matched instruction. This process is currently defined but it is inoperative for matched instructions due to the current value is set as unlimited.</p> <p>When both settlement instructions of a transaction are cancelled because at least one leg of the transaction exceeds the recycling period, the Business Rule that applies to both legs is the following: 'MMCS001': Matched Settlement Instructions pending and not revoked at the end of the recycling period are cancelled</p> <p>The Business Rule that applies when a settlement restriction is cancelled due to recycling period is the following: 'MMCS002': Settlement Restrictions pending and not revoked at the end of the recycling period are cancelled".</p> <p>4CB recommend activation of the CR-0691 in Production on 5 October 2020.</p>		
Summary of project risk		
none		
Security analysis		
No adverse effect has been identified during security assessment.		