



EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REQUEST FORM		
<b>General Information (Origin of Request)</b> <input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> CSDR-TF	<b>Institute:</b> CSD	<b>Date raised:</b> 19/12/2019
<b>Request title:</b> Securities Subject to Penalties: allow setting Valid To equal to the current business day -1		<b>Request No.:</b> T2S 0730 SYS
<b>Request type:</b> Common	<b>Classification:</b> Regulatory compliance	<b>Urgency:</b> Fast track
<b>1. Legal/business importance parameter:</b> Medium	<b>2. Market implementation efforts parameter:</b> Medium	
<b>3. Operational/Technical risk parameter:</b> Medium	<b>4. Financial impact parameter:</b> Low	
<b>Requestor Category:</b> Task force of the CSG	<b>Status:</b> Allocated to a release	

**Reason for change and expected benefits/business motivation:**

The T2S CSDR Task Force was established by the T2S Steering level, in order to identify the necessary changes to the T2S platform resulting from the CSD Regulation (CSDR), with the objective to facilitate T2S CSDs' timely compliance to CSDR.

The core of the work of the T2S CSDR Task Force is reflected in the T2S Penalty Mechanism's user requirements (CR654): it focuses on the daily calculation and reporting of cash penalties for settlement fails, a monthly reporting of the aggregated amounts of cash penalties computed for a given month as well as the operational tools which are necessary for T2S Actors.

T2S CSDs acting as Securities Maintaining Entity (SME) are responsible to load prices (daily) and Securities Subject to Penalties in T2S (including "liquidity" indicators for shares instruments). They have to derive this information based on data available through ESMA registers which are updated daily<sup>1</sup>.

The T2S penalty mechanism accepts input of Securities Subject to Penalties to be taken into account for the calculation of cash penalties for a given business day until 7:30 on the next business day. However, T2S rejects input / update of Securities Subject to Penalties with Valid To lesser than the current business day. Depending on the applicability of the data available through ESMA registers, the information of the end of validity of a Security Subject to Penalties cannot be replicated in T2S.

For example: if on business day 4<sup>th</sup> December at 17:00, ESMA registers publish data that the end of validity of an ISIN is 4<sup>th</sup> December, it will not be possible for SME CSDs to enter on business day of 5<sup>th</sup> December until 7:30 that the Valid To of the ISIN = 4<sup>th</sup> of December.

To handle such scenarios, it is requested to allow the input and update of a Securities Subject to Penalties with Valid To = current business day -1.

Note that allowing setting the Valid To further in the past beyond the current business day -1 is not required as: (i) it is not deemed a likely business scenario and: (ii) it has been identified as potentially highly impacting the design of the T2S penalty mechanism, as penalties which have already been computed would need to be recomputed ex post to zero by means of a new process.

<sup>1</sup> [https://registers.esma.europa.eu/publication/searchRegister?core=esma\\_registers\\_firds](https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_firds);  
[https://registers.esma.europa.eu/publication/searchRegister?core=esma\\_registers\\_mifid\\_shsex](https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_mifid_shsex)

**Description of requested change:**

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The business rules applicable to the Valid To field should be modified as follows, for any input channel (U2A or flat file):

(DSC6004) When performing a Securities Subject to Cash Penalties creation request, the Valid To must be equal to or greater than the business day preceding the current date and equal to or greater than the Valid From.

(DSU6004) When performing a Securities Subject to Cash Penalties update request, the Valid To must be equal to or greater than the business day preceding the current date and equal to or greater than the Valid From.

(DSU6005) When performing a Securities Subject to Cash Penalties update request, the Valid To can be updated only if the current value is equal to or greater than the business day preceding the current business date.

The error text of these business rules should be updated accordingly as well.

**Submitted annexes / related documents:**

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**Outcome/Decisions:**

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- \* CRG on 8 January 2020: The CRG agreed to recommend the CR for authorisation by the T2S Steering Level.
- \* AMI-SeCo on 16 January 2020: The AMI-SeCo agreed to the recommendation of the CRG
- \* CSG on 17 January 2020: The CSG authorised the CR for allocation to a T2S release.
- \* NECSG on 17 January 2020: The NECSG authorised the CR for allocation to a T2S release.
- \* PMG on 17 January 2020: The PMG agreed to launch the detailed assessment of the CR in view of R4.2.
- \* MIB on 28 January 2020: the MIB authorised CR-730.
- \* CRG on 18 February 2020: the CRG recommended to the PMG the implementation of CR-730 in release 4.2
- \* PMG on 19 February 2020: the PMG approved the scope extension of R 4.2 by CR-730
- \* CSG on 27 February 2020: the CSG is in favour of approving the allocation of CR-730 to R4.2.
- \* NECSG on 27 February 2020: the NECSG is in favour of approving the allocation of CR-730 in R4.2.
- \* MIB on 15 June 2020: The MIB approved the Service Transition Plan for R4.2, including CR-730

**Documentation to be updated:****Proposed wording for the Change request:**

The following business rules, introduced with CR654 in the Reference for Error Messages section of the T2S User Handbook, should be modified as shown below.

**T2S UHB**

## 6.4.2.xxx Securities subject to cash penalties – New/edit screen

Reference for error message	Field or button	Error Text	Description
...			
DSC6004	Valid To field   Submit button	Valid To cannot be set to- <u>earlier than previous business a past date or earlier than Valid From</u>	When performing a Securities Subject to Cash Penalties creation request, the Valid To must be equal to or greater than <u>the business day preceding</u> the current date and equal to or greater than the Valid From.
...			
DSU6004	Valid To field   Submit button	Valid To cannot be set to- <u>earlier than previous business a past date or earlier than Valid From</u>	When performing a Securities Subject to Cash Penalties update request, the Valid To must be equal to or greater than <u>the business day preceding</u> the current date and equal to or greater than the Valid From.
DSU6005	Valid To field   Submit button	Past Valid To cannot be updated	When performing a Securities Subject to Cash Penalties update request, the Valid To can be updated only if the current value is equal to or greater than <u>the business day preceding</u> the current business date.

The same changes are to be made to the business rules listed in the bulk file description inserted in the T2S UDFS with CR654.

**T2S UDFS**

## 4.7.3.3 Format of “enriched files” from T2S to CSDs

The format of the enriched files is based on the format of the flat files that have been submitted to T2S. The submitted data remains unchanged but is supplemented with “Status” and “Error description”.

Status and error supplementary fields

These data are located right to the record data.

Flat file column	Field	Possible values	Description	Rules
8	Status		<b>Status of the processing for the row.</b>	n/a
		REJT	Rejected	n/a
		COMP	Completed	n/a
9	Error Description		<b>Description of the error.</b>	Occurs when Status is 'REJT'.
		...		
		Valid To cannot be set to <u>earlier than previous business a past date</u>	When performing a Securities Subject to Cash Penalties creation request, the	

	or <del>earlier than</del> Valid From	Valid To must be equal to or greater than <u>the business day preceding</u> the current date and equal to or greater than the Valid From.	
	...		
	Valid To cannot be set to <u>earlier than previous business a-past date</u> or <del>earlier than</del> Valid From	When performing a Securities Subject to Cash Penalties update request, the Valid To must be equal to or greater than <u>the business day preceding</u> the current date and equal to or greater than the Valid From.	
	Past Valid To cannot be updated	When performing a Securities Subject to Cash Penalties update request, the Valid To can be updated only if the current value is equal to or greater than <u>the business day preceding</u> the current business date.	

**Preliminary assessment:**

n.a.

**Detailed assessment:****EUROSYSTEM ANALYSIS – GENERAL INFORMATION**

T2S Specific Components		Common Components	
<b>LCMM</b>			
	Instructions validation		
	Status management		
	Instruction matching		
	Instructions maintenance		
	Penalty Mechanism		
<b>Settlement</b>			
	Standardisation and preparation to settlement		
	Night-time Settlement		
	Daytime Recycling and optimisation		
	Daytime Validation, provisioning & booking		
	Auto-collateralisation		
<b>Liquidity Management</b>			
	Outbound Information Management		
	NCB Business Procedures		
	Liquidity Operations		
<b>T2S Interface (as of June 2022 without Static Data Management, Communication for SDMG, Scheduler, Billing)</b>			
	Communication		
	Outbound Processing		
	Inbound Processing		
<b>Static Data Management (until Nov 2021)</b>		<b>Common Reference Data Management (from PROD R5.2 Nov 2021)</b>	
	Party data management		Party data management
X	Securities data management	X	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				
Impacted UDFS chapter	4.7.3.3 Format of enriched files from T2S to CSDs	Modify business rules and error codes as foreseen above.		
Additional deliveries for Message Specification				
UHB	6.4.2.xxx Securities subject to cash penalties – New/Edit screen (references for error messages)	Modify business rules and error codes as foreseen above.		
Links with other requests				
Links	Reference	T2S-0654-URD	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><b>SDMG</b> has to modify the business rules to allow Valid To date to be set to D-1 for Securities Subject to Cash Penalties.</p> <p>D-1 is understood as the business date (i.e. skipping Saturdays, Sundays and T2S closing days) immediately preceding the current business date.</p> <p>The <b>LCMM</b> and <b>Penalty Mechanism</b> modules should not be impacted, taking into account that:</p> <ul style="list-style-type: none"> <li>- The information retrieved (pulled) by the Penalty Mechanism for the daily calculation of new penalties contains all reference data received until the deadline i.e.: 7:30 on the same date. The retrieved reference data will always refer to business days preceding the current business date (i.e. D -1, -2,-3...).</li> <li>- The delta file sent (pushed) daily to the Penalty Mechanism for the automatic recalculation of existing penalties (i.e., penalties with detection date equal to CBD minus 2, and backwards) contains reference data that a) has been changed between the former deadline (7:30 of the previous business day) and today's deadline (7:30 on the same date); and b) refers to business days preceding the previous business date (i.e. D-2, -3,-4....).</li> </ul> <p>Regression tests will be performed to ensure the correct behaviour of the penalties calculation and recalculation processes when the "Valid to" of an instance of a security subject to penalties is updated to CBD-1.</p>				
<b>Main cost driver:</b>				

Modification of the business rules and validation processes in SDMG.
Summary of project risk
n.a.
Security analysis
No adverse effect has been identified during security assessment.



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DG - MARKET INFRASTRUCTURE & PAYMENTS

ECB-PUBLIC

target | T2S  
services

11 February 2020

## Cost assessment on Change Requests

<b>T2S-730-SYS – Securities Subject to Penalties: allow setting Valid To equal to the current business day -1</b>			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	39,523.48	Euro
Annual	Operational costs		
	- Maintenance costs	0.00	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).