



EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REQUEST FORM		
General Information (Origin of Request) <input checked="" type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: CSDR Task Force	Institute: ECB	Date raised: 23/09/2020
Request title: T2S penalty mechanism must provide increased flexibility for the penalty computation currency in case of FOP instructions.		Request No.: T2S 0745 URD
Request type: Common	Classification: Regulatory compliance	Urgency: Fast-track
1. Legal/business importance parameter¹: High	2. Market implementation efforts parameter²: Low	
3. Operational/Technical risk parameter³: Low	4. Financial impact parameter⁴: Low-medium	
Requestor Category: CSDR TF	Status: 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 (CSDR TF) 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.

As per T2S user requirements (T2S.22.060), cash penalties are computed in a T2S settlement currency:

- « For settlement instructions against payment (cash settlement in a T2S settlement currency), the amount imposed by the cash penalty shall be denominated in the currency of the cash leg of the settlement instruction;
- For free of payment settlement instructions (no cash is settled in T2S), the amount imposed by the penalty shall be calculated in either the currency of the underlying security if the Settlement Type stored in Static data is nominal, or in the currency of the daily reference price if the Settlement Type of the underlying security is units. If this is not a T2S Settlement currency, it should be calculated in EUR. »

The current requirements imply a challenge for some T2S CSDs in a specific scenario whereby a penalty is computed in a T2S settlement currency different from Euro for a free of payment (FOP) settlement instruction. The CSDs explained that most of their participants do not have a DCA denominated in a non-Euro currency. While this would be a pre-requisite for the settlement of against payment instructions in any T2S settlement currency, this is not the case for FOP instructions.

For the monthly payment of cash penalties in non-Euro T2S settlement currency, this situation would imply: (i) that the collection and re-distribution of cash penalties involves payment flows outside T2S through a cash correspondent bank, or; (ii) that T2S CSDs perform a currency conversion to allow their participants to pay in Euro, or; (iii) that T2S CSDs force all their customers to open a DCA denominated in other non-Euro T2S settlement currency.

None of these options has been deemed desirable by the CSDR TF. On the other hand, it is acknowledged that the multi-currency aspect of T2S must be fully preserved to allow the computation of cash penalties for FOP instructions in another T2S settlement currency than Euro (e.g. DKK),

Hence, it is requested to enhance the T2S penalty mechanism to allow T2S CSDs to opt for the computation of cash penalties in a non-Euro T2S settlement currency as derived by T2S per current T2S.22.060 requirements

¹ Legal/business importance parameter was set to High because it allows significant efficiencies to be gained by T2S Actors for the payment of cash penalties.

² Market implementation effort parameter was set to Low because it does not require extra adaptations from T2S CSDs and their participants.

³ Operational/technical risk parameter was set to Low because it would have no impact on existing SLAs and limited impact on operational processes.

⁴ Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

(e.g. DKK), but at the same time, ensure other T2S CSDs receive the computation of cash penalties in Euro provided that:

- The settlement instruction for which the cash penalty is computed is FOP; and;
- Neither the delivering CSD nor the receiving CSD involved in the failed settlement transaction has opted for the computation of cash penalties in the relevant non-EUR T2S Settlement Currency.

In other words, the requested change will provide added flexibility for T2S CSDs without causing any drawback for those T2S CSDs that have a non-Euro T2S settlement currency as their preferred (penalties) currency.

Description of requested change:

16.9.8 List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs

Definition

Reference ID	T2S.16.1070
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The List of CSDs with penalty computation in non-Euro settlement currencies for FOPs is a list of T2S CSDs per T2S settlement currency different from Euro, which allows T2S CSDs to define their preferred currency for the computation of cash penalties on FOP settlement instructions. Each item of this list includes the following attributes:

- Non-Euro T2S settlement currency;
- BIC of T2S CSD.

Note: Multiple entries in this list (combination of attribute values above) allow defining multiple CSDs for a non-Euro T2S settlement currency, as well as multiple non-Euro T2S settlement currencies for a CSD.

Maintaining the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs

Reference ID	T2S.16.1080
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The List of CSDs with penalty computation in non-Euro settlement currencies for FOPs is maintained by the T2S operator.

Note: The content of this list is managed by the T2S Operational Managers Group (OMG).

Summary of the various static data updates that the responsible T2S Actor can perform

Responsible T2S Actor	Class of Information	Attribute	Updatable
CSD (acting as SME)	Securities Subject to Penalties	ISIN	No
		Financial Instrument Type	Yes
		Liquidity	Yes
		Valid From	No
		Valid To	Yes
CSD (acting as SME)	Daily Price	ISIN	No
		Price Date	No
		Currency Code	Yes
		Price	Yes
T2S Operator	SME Growth Markets	MIC Identifier	Yes
T2S Operator	Securities Penalty Rate	Asset Type	No
		Daily Flat Penalty Rate	Yes
		Valid From	No

Responsible T2S Actor	Class of Information	Attribute	Updatable
T2S Operator	Cash Discount Penalty Rate	Currency Code	No
		Daily Flat Penalty Rate	Yes
		Valid From	No
ECB	Euro Exchange Reference Data ⁵	Currency Code	No
		Daily Exchange Rate	Yes
		Exchange Rate Date	No
T2S Operator	<u>List of CSDs with penalty computation in non-Euro settlement currencies for FOPs</u>	<u>Non-Euro T2S settlement currency</u>	<u>No</u>
		<u>BIC of T2S CSD</u>	<u>Yes</u>

22.3 Currency

Denomination Currency for Cash Penalties

Reference ID	T2S.22.060
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T2S shall compute cash penalties in a T2S settlement currency:

- For settlement instructions against payment (cash settlement in a T2S settlement currency), the amount imposed by the cash penalty shall be denominated in the currency of the cash leg of the settlement instruction;
- For free of payment settlement instructions (no cash is settled in T2S), the currency of the amount imposed by the penalty shall be ~~calculated in~~ derived by checking either the currency of the underlying security if the Settlement Type stored in Static data is nominal, or in the currency of the daily reference price if the Settlement Type of the underlying security is unit, and:
 - If this the currency derived is a non-Euro T2S settlement currency, T2S shall check whether the BIC of either the CSD of the failing party or the CSD of the non-failing party of the penalty is in the List of CSDs with penalty computation in non-Euro settlement currencies for FOPs (described in T2S.16.1070) for that currency . If this is the case, T2S shall compute the cash penalty in the non-T2S settlement currency, otherwise it should be calculated in EUR.
 - If the currency derived is EUR or if it is not a T2S settlement currency, it should be calculated in EUR.

Note: Changes in the List of CSDs with penalty computation in non-Euro settlement currencies for FOPs do not trigger recalculation of penalties.

Submitted annexes / related documents:

[T2S-0654-URD](#) T2S Penalty Mechanism

Outcome/Decisions:

* CRG on 1 October 2020: The CRG agreed to recommend CR-745 for authorisation by the T2S Steering Level following a fast track procedure.

*AMI-SeCo on 12 October 2020: The AMI-SeCo agrees with the CRG recommendation of authorisation of CR-745 by the T2S Steering Level.

* CSG on 15 October 2020: the CSG took the resolution to authorise CR-745.

* NECSG on 16 October 2020: the NECSG took the resolution to authorise CR-745.

* PMG on 29 October 2020: the PMG launched the detailed assessment of CR-745 in a view to R5.2.

⁵ A specific Data Migration Tool (DMT) file will be made available to the ECB as requested in CR718 to support the daily Euro Foreign Exchange Rate data loading process.

- * MIB on 03 November 2020: the MIB agreed to authorise CR-745.
- * CRG on 19 January 2021: the CRG agreed to recommend to the PMG the inclusion of CR-745 in R5.2.
- * OMG on 19 January 2021: the OMG identified an operational impact of CR-745 on R5.2.
- * PMG on 20 January 2021: the PMG agreed to include CR-745 in the scope of R5.2.
- * CSG on 27 January 2021: the CSG approved the inclusion of CR-745 in the scope of R5.2.
- * NECSG on 27 January 2021: the NECSG approved the inclusion of CR-745 in the scope of R5.2.
- * MIB on 11 February 2021: the MIB approved the inclusion of CR-745 in the scope of R5.2.

Documentation to be updated:

URD as described in the “Description of requested change” section

GFS v.8.2:

3.4.7.3 Description of the functions of the module

1- Penalty Eligibility

[...]

Create Penalty

<i>Reference Id</i>	<i>LCMM.PEM.ELI.6.1</i>
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[...]

Then, the sub-function determines the attributes Payment Type of the SI and, when possible, the Currency of the Penalty as follows **{T2S.22.060}**:

- l In case the underlying Settlement Instruction Payment Type Code is “APMT” (i.e. against payment), then the Payment Type of the SI is recorded as “APMT” and the Currency is set with the same value as the Currency of the Amount of the Settlement Instruction;
- l In case the underlying Settlement Instruction Payment Type Code is “FREE” (i.e. free of payment), then the Payment Type of the SI is recorded as “FREE” and the Settlement Type of the Security is checked to determine the Currency:
 - If the Settlement Type is “FAMT” (i.e. Face amount), the Currency of the Security is retrieved from Static Data and:
 - i) if it is a T2S Settlement Currency different from “EUR” (i.e.g. ~~“EUR”~~ or “DKK”), then it is checked whether for this Currency, the BIC of the CSD of any of the Applicable Parties of the Penalty (the Failing Party or the Non-Failing Party) is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs. If this is the case, the Currency of the Penalty is set with the same value as the Currency of the Security; otherwise, the Currency of the Penalty is set to “EUR”;
 - ii) if it is either “EUR” or it is not a T2S Settlement Currency, then the Currency of the Penalty is set to “EUR”.
 - If the Quantity Settlement Type is “UNIT” (i.e. Units), the Currency of the Penalty is not determined and left empty until it is determined by the Calculation function.

[...]

2- Penalty Calculation

[...]

Retrieve Price, Currency and Euro FX:

<i>Reference Id</i>	<i>LCMM.PEM.CAL.4.2</i>
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For *Sub-amounts* whose *Penalty* has Calculation Method “SECU”, “MIXE” or “BOTH”, this step performs the following actions:

The step first retrieves the Daily Price of the *Security* for the relevant Date of the *Sub-amount* {T2S.22.150} {T2S.22.240}. Then:

In case the Daily Price is not available in Static Data, the *Sub-amount* is flagged as Cannot be calculated “True”.

Otherwise, the step performs different checks depending on the Settlement Type of the *Security*.

I In case it is “UNIT”:

- The step verifies that the Settlement Type of the quantity stored in *Penalty Eligibility* from the underlying *Settlement Instruction* is also “UNIT”. In case the condition is not fulfilled, the relevant *Sub-amount* is flagged as Cannot be calculated “True”, because the Price would be in “UNIT” (Price Amount) whereas the failed quantity would be in “FAMT” (i.e. the Settlement Type of the *Security* has been updated and the *Penalty* cannot be calculated for this business day).
- The step checks whether the Payment Type of the SI of the *Penalty* is “FREE”, and if so, the Currency of the *Penalty* is determined as follows:
 - i) If Currency of the *Daily Price* of the *Security* is a T2S Settlement Currency different from “EUR” (i.e.g. “EUR” or “DKK”), it is checked whether for this Currency the BIC of the CSD of any of the Applicable Parties of the *Penalty* (the Failing Party or the Non-Failing Party) is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs. If this is the case, the Currency of the *Penalty* is set with the same value as the Currency of the *Daily Price*; otherwise, the Currency of the *Penalty* is set to “EUR”.
 - ii) If Currency of the *Daily Price* of the *Security* is either “EUR” or it is not a T2S Settlement Currency, then the Currency of the *Penalty* is set to “EUR”.
- Finally, in case the *Sub-amount* can be calculated, the step checks if an FX conversion is needed.
 - I [...]]

3.4.7.6 Data accessed by the module

DATA	DATA ENTITY	ACCESS MODE	COMMENTS
STATIC DATA			
Static Data	Closing Day	Read	Accessed for checking purposes

	System parameter- Nth BD of the month	Read	Accessed for checking purposes
	<u>List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs</u>	Read	<u>Accessed for checking purposes</u>
DINAMIC DATA			

UDFS v.5.2:

1.2.7 Static data for penalties, page 115

The T2S Operator is responsible for maintaining the list of cash and securities penalty rates for each currency and asset type respectively, as well as a list of Market Identifier Codes (MIC) corresponding to trading venues identified as belonging to the SME Growth Market segment. In addition, the T2S Operator maintains the list of CSDs opting for penalty computation in non-euro settlement currencies for FOP transactions. Finally, the ECB is responsible for maintaining the list of Foreign Exchange reference rates for all relevant currencies against the euro. This data serves as the basic configuration along with the Securities data and the prices input by the CSDs, through which the penalty calculation takes place.

1.6.1.14.5 Penalty Calculation

Every business day, after the Penalties to be computed for the previous business day have been detected, T2S calculates their amount.

T2S calculates Penalties in T2S Settlement Currencies:

- | For Penalties on Settlement Instructions against payment, the Penalty is calculated in the currency of the cash leg;
- | For Penalties on Settlement Instructions free of payment, the Penalty is calculated in ~~the currency "EUR"~~, except when ~~of~~ the currency of the underlying Security (if the settlement type of the underlying Security is nominal) or ~~in~~ the currency of the Reference Price (if the settlement type of the underlying Security is Unit) ~~as long as it is a T2S Settlement Currency (i.e. "EUR" or "DKK") is a non-Euro T2S Settlement Currency (e.g. "DKK"), and the BIC of either the CSD of the failing party or the CSD of the non-failing party of the penalty is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs, for that given currency. If this is the case, the Penalty is calculated in the non-Euro T2S settlement currency. In case it is not a T2S Settlement Currency, the Penalty is calculated in "EUR".~~

The Penalty amount will be the sum of as many sub-amounts as business days the Penalty applies to. I.e.:

[...]

EXAMPLE xxx – CONVERSION OF PENALTIES ON SETTLEMENT INSTRUCTIONS FREE OF PAYMENT

For Penalties where the underlying Settlement Instruction is free of payment (i.e. DFOP or RFOP) and therefore with Calculation Method "SECU", the Penalty has to be calculated:

- | In a T2S Settlement Currency different from "EUR" (e.g. "DKK") when: i) this currency is either the currency of underlying Security (if the settlement type of the underlying Security is nominal) or the currency of the Reference Price (if the settlement type of the underlying Security is Unit), and ii) the BIC of either the CSD of the failing party or the CSD of the non-failing party of the penalty is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs for that given currency;
- | In "EUR" in any other case.

~~in either in the currency of the underlying Security (if the settlement type of the underlying Security is nominal) or in the currency of the Reference Price (if the settlement type of the underlying Security is Unit) as long as it is a T2S Settlement Currency (i.e. "EUR" or "DKK"). In case it is not a T2S Settlement Currency, the Penalty is calculated in "EUR". For this purpose, one or two foreign exchange rates might be necessary;~~

Currency of the Penalty is EUR:

One Foreign Exchange Rate might be needed:

	Calculation Method	Settlement Instruction Type	Security Settlement Type	Currency of the Security	Currency of the Price	<u>BIC of either CSD defined for "DKK"</u>	Penalty Currency	EUR FX Rates required
1	SECU	DFOP	Unit	N/A	EUR	<u>N/A</u>	EUR	N/A
2	SECU	DFOP	Unit	N/A	USD	<u>N/A</u>	EUR	EURUSD
3	<u>SECU</u>	<u>DFOP</u>	<u>Unit</u>	<u>N/A</u>	<u>DKK</u>	<u>No</u>	<u>EUR</u>	<u>EURDKK</u>
4 3	SECU	RFOP	Nominal	EUR	N/A	<u>N/A</u>	EUR	N/A
5 4	SECU	<u>DRFOP</u>	Nominal	CAD	N/A	<u>N/A</u>	EUR	EURCAD
6	<u>SECU</u>	<u>DFOP</u>	<u>Nominal</u>	<u>DKK</u>	<u>N/A</u>	<u>No</u>	<u>EUR</u>	<u>EURDKK</u>

[...]

- The third Penalty, with Calculation Method "SECU" because it is over a DFOP Settlement Instruction, and with currency of the Reference Price (DKK) because the settlement type of the Security is Unit, will be calculated in EUR because for DKK neither the BIC of CSD of the failing party nor the BIC of CSD of the non-failing party are in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs. It will be calculated as follows:

ORIGINAL AMOUNT (in DKK) = Security Penalty Rate x Reference Price x Quantity failed to settle

AMOUNT (in EUR) = ORIGINAL AMOUNT x [1 / Euro Foreign Exchange Rate (DKK)]

- The ~~fourth~~ third Penalty...

[...]

- The ~~fifth~~ fourth Penalty, with Calculation Method "SECU" because it is over a DRFOP Settlement Instruction, and...

[...]

- The sixth Penalty, with Calculation Method "SECU" because it is over a DFOP Settlement Instruction, and with currency of the underlying Security (DKK) because its settlement type is Nominal, will be calculated in EUR because for DKK neither the BIC of CSD of the failing party nor the BIC of CSD of the non-failing party are in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs. It will be calculated as follows:

ORIGINAL AMOUNT (in DKK) = Security Penalty Rate x Reference Price x Quantity failed to settle

AMOUNT (in EUR) = ORIGINAL AMOUNT x [1 / Euro Foreign Exchange Rate (DKK)]

[...]

Currency of the Penalty is DKK:

~~When the currency for penalties For Penalties on free of payment instructions is DKK, the currency of the Penalty is DKK only in case the currency of the Security or the currency of the Price must be is "DKK" (otherwise the Penalty would be in "EUR").~~ Therefore, no Foreign Exchange Rate is needed:

	Calculation Method	Settlement Instruction Type	Security Settlement Type	Currency of the Security	Currency of the Price	<u>BIC of either CSD defined for "DKK"</u>	Penalty Currency	EUR FX Rates required
1	SECU	DFOP	Unit	N/A	DKK	<u>Yes</u>	DKK	N/A
2	SECU	RFOP	Nominal	DKK	N/A	<u>Yes</u>	DKK	N/A

- | The first Penalty, with Calculation Method "SECU" because it is over a DFOP Settlement Instruction, and with currency of the Reference Price (DKK) because the settlement type of the Security is Unit, will not need any Foreign Exchange Rate for its calculation as it has to be calculated in DKK because the BIC of either CSD of the failing party or the CSD of the non-failing party (or both) is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs for this currency.
- | The second Penalty, with Calculation Method "SECU" because it is over a RFOP Settlement Instruction, and with currency of the underlying Security (DKK) because its settlement type is Nominal, will not need any Foreign Exchange Rate for its calculation as it has to be calculated in DKK because the BIC of either CSD of the failing party or the CSD of the non-failing party (or both) is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies for FOPs for this currency.

[...]

Preliminary assessment:

No preliminary assessment has been performed, fast-track DA only.

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION			
T2S Specific Components		Common Components	
LCMM			
	Instructions validation		
	Status management		
	Instruction matching		
	Instructions maintenance		
X	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 June 2022)		Common Reference Data Management (from R6.0 June 2022)	
	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
X	Rules and parameters data management		Rules and parameters data management
X	Penalty Mechanism		Penalty Mechanism
Statistics and archive		Statistics and archive	
	Statistical information (until June 2022)		Short term statistical information
	Legal archiving (until June 2022)		Legal archiving (from R6.0)
			Data Warehouse (from R6.0)
Information (until June 2022 containing reference data)		CRDM business interface (from 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 R6.0)
	Scheduling (until June 2022)		Business Day Management (from R6.0)
			Business Day Management business interface (from R6.0)
	Billing (until June 2022)		Billing (from R6.0)
			Billing business interface (from R6.0)
	Operational Monitoring		Operational and Business Monitoring

OMEGA Templates		
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Impact on major documentation		
Document	Chapter	Change
Impacted GFS chapter	3.4.7.3.1. Penalty Eligibility	Update the function to include the new logic for defining the currency of the penalty for FOP instructions and when the Security is in FAMT.
	3.4.7.3.2. Penalty Calculation	Update the function to include the new logic for defining the currency of the penalty for FOP instructions and when the Security is in UNITS.
	3.4.7.5 Data accessed by the module	Include new access to Static Data
Impacted UDFS chapter	1.2.7 Static data for penalties	Include a note on the possibility for the T2S Operator to manage the list of CSDs opting for penalty calculation in non-euro settlement currencies
	1.6.1.14.5. Penalty Calculation	Update the section to include description of the new logic for defining the currency of the penalty for FOP instructions together with the relevant example

Links with other requests

Links	Reference	Title
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OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT

Summary of functional, development, infrastructure and migration impacts

The determination of the Currency of Penalties on FOP Settlement Instructions is performed at two different moments depending on the Settlement Type of the underlying Security: when the Security has Settlement Type FAMT it is done during the Penalty Eligibility process; when the Security has Settlement Type UNIT it is done during the Penalty Calculation process.

During the Penalty Eligibility process, in case the underlying Settlement Instruction Payment Type Code is "FREE" and the Settlement Type of the Security is "FAMT", LCMM checks the currency of the Security:

- If it is EUR or a not T2S settlement currency, the currency of the penalty is EUR.
- If it is a non-Euro T2S settlement currency, LCMM checks whether the BIC of either the CSD of the failing party or the CSD of the non-failing party of the penalty is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies in Static Data for that given currency. If this is the case, the Penalty Currency is the non-euro T2S settlement currency, otherwise it is EUR.

During the Penalty Calculation process, when the Penalty Currency hasn't been determined in Penalty eligibility (because the underlying Settlement Instruction Payment Type Code is "FREE" and the Settlement Type of the Security is "UNIT") LCMM checks the Price Currency retrieved in Penalty Reference Data:

- If it is EUR or a not T2S settlement currency the currency of the penalty is EUR
- If it is a non-EUR T2S Settlement Currency, LCMM checks whether the BIC of either the CSD of the failing party or the CSD of the non-failing party of the penalty is in the List of CSDs with penalty computation in non-Euro T2S settlement currencies in Static Data for that given currency. If this is the case, the Penalty Currency is the non-euro T2S settlement currency, otherwise it is EUR.

T2S Operator is responsible for the maintenance of the List of CSDs with penalty computation in non-Euro settlement currencies for FOPs.

In order to avoid inconsistencies, the update of the list should not be performed between the events triggering the Penalty Eligibility and Penalty Recalculation (i.e. between SCPE and RECA).

In other words, the updates shall be performed after RECA event (scheduled to be triggered around noon) and before SCPE event (scheduled to be triggered at 19:45)

The list of CSDs opting for penalty computation in non-euro currencies will be defined as an attribute domain containing the CSD BIC – Currency combinations.

Main Cost Drivers:

- Enhancement of the Penalty Eligibility process, including an access to Static Data to check the new List of CSDs opting for penalty computation in non-euro currencies, to be able to check, for penalties whose underlying SI is Free of Payment and on an ISIN with Settlement Type FAMT, if any of the applicable party BICs are included in the List in combination with the Currency of the security
- Enhancement of the Penalty Calculation process, including an access to Static Data to check the new List of CSDs opting for penalty computation in non-euro currencies, to be able to check, for penalties whose underlying SI is Free of Payment and on an ISIN with Settlement Type UNIT, if any of the applicable party BICs are included in the List in combination with the Currency of the price
- A deep analysis of all kinds of Penalty Reports generated must be executed

Impact on other TARGET Services and projects

No impact on Target2, CSLD, ECMS or TIPS

Summary of project risk**Security analysis**

No adverse impact has been identified during security assessment.



04 January 2021

Cost assessment on Change Requests

T2S-745-SYS – T2S penalty mechanism must provide increased flexibility for the penalty computation currency in case of FOP instructions			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	163,272.64	Euro
Annual	Operational costs		
	- Maintenance costs	11,814.70	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).