



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: 4CB | Institute: 4CB | Date raised: 30/03/2021 |
| Request title: New option for opening T2S during the week-end | | Request No.: T2S 0762 URD |
| Request type: Common | Classification: Scope enhancement | Urgency: Fast-track |
| 1. Legal/business importance parameter¹: High | | 2. Market implementation efforts parameter²: High |
| 3. Operational/Technical risk parameter³: Medium | | 4. Financial impact parameter⁴: (provided by 4CB) |
| Requestor Category: Eurosystem | | Status: Auhtorised by the T2S Steering Level |

Reason for change and expected benefits/business motivation:

During the analysis conducted by ECB/4CB teams related to EFi migration, it was identified that on an exceptional basis a very high volume - up to 1,7 million - of settlement instructions may need to be processed in T2S.

Such high volume of transactions (higher than the daily average of transactions currently settled in T2S) requires to be processed during the NTS settlement period which is tailored for processing them using adequate mechanisms in T2S (settlement in batch processing, NTS algorithms, NTS cycles & sequences).

However, these massive volumes – due to the time needed for their injection- cannot enter T2S and be ready for settlement attempt before NTS starts at 20:00.

One solution was therefore considered to rely on the T2S MOP⁵ procedures for opening T2S during the weekend that is usually reserved for deployment weekends, specific testing activities or for processing exceptional events, e.g. high-volume Corporate Actions (CA) events.

As per this procedure, each of these opening options need to be communicated and agreed by the Operational Managers Group at least 3 months in advance. However, during the discussion of the T2S OMG, it was identified that this procedure was not suitable to cover the business scenario identified here above, as the notification period of 3 months could not be observed⁶.

Considering the constraints above, the 4CB are requested to design a new option for opening T2S during the weekend under the following conditions:

- First condition: to allow the settlement under NTS mode of high volumes (related to CA or not) unable to be ready for settlement at the start of the regular NTS at 20:00 (hereafter named as *NTS Late Peak Volumes transactions or NLPV transactions*);
- Second condition: to keep the regular NTS starting at 20:00 running as usual for all other activities;
- Third condition: to keep settlement available for all other activities at the end of the regular NTS while waiting for the NLPV transactions to be settled in an ad-hoc NTS window. In case NTS cycles are used during this waiting period the duration of each of these cycles must be scheduled for a maximum of 15 min.

This new solution is expected to be available only during the weekend and triggered under an operational procedure to be included in the MOP at the implementation phase.

With the detailed assessment of the CR, 4CB shall come up with a proposal on the threshold of settlement instructions to be processed (e.g. 1 million) from which on, on the request of the initiating CSD, the activation of the

¹ Legal/business importance parameter was set to High because it will improve the stability of T2S in case of peaks in settlement volume

² Market implementation effort parameter was set to High because it could require implementation efforts for all T2S actors to handle the additional weekend processing and related communications.

³ Operational/technical risk parameter was set to Medium because even if the changes are made on the T2S settlement module, they apply only in very specific scenarios (exceptionally high volumes to settle in NTS but unavailable for NTS starting at 20:00)

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

⁵ MOP: Manual of Operational Procedure

⁶ According to the Finnish law (Act on limited liability companies, article 5.19) the general meeting invitations need to be sent minimum of three weeks in advance.

procedure on the weekend is recommended. The detailed operational procedure is to be defined by the OMG and reflected in the MOP. The objective will be to ensure that this procedure is activated only in very exceptional / necessary situations, considering the impacts of opening on weekends on the T2S community. The development of this CR does not preclude the use of the other options for opening during the weekend which are already included in the MOP.

Description of requested change:

Overview

In order to meet the three required conditions, the solution proposed shall comply with the following rationale and features for its implementation:

- For all conditions: NTS late peak volumes transactions shall be identified by a CSD willing to trigger this procedure. As such this CSD will inject these volumes in ad-hoc periods defined in the procedure and will set-up the appropriate intraday restrictions requested in this procedure at CSD level, at ISIN level or at ISO transaction code level.
- For condition 1: confirmation that the NLPV transactions – i.e. not available for settlement at the regular NTS starting at 20:00 with Cycle 1 & 2 (hereafter called *Regular NTS*) - must be processed into additional NTS settlement cycles (hereafter called *Additional Standard NTS cycles*) as these cycles are tailored for high volumes and also as they are able to handle any type of CA booking scheme without the constraints related to a RTS settlement (e.g. linked instructions limited to 2500).
- For condition 2: need to run such *Additional Standard NTS cycles* for NLPV transactions after the following processes have been completed:
 - *Regular NTS*, kept at 20:00 on Fridays⁷ for all CSDs;
 - Injection of NLPV transactions (starting after completion of the *Regular NTS*, so as to avoid any impact of the massive volume injected on the *Regular NTS*);
- For condition 3: confirmation that NTS shall also be used in order to settle the regular CSD activity during the time the NLPV transactions are injected. Actually since the order NTS-RTS-NTS is not compatible with the current T2S operational day, this settlement has also to be carried out during this period through NTS cycles composed of a single sequence (hereafter called *Short NTS cycles*) in order to be as close as possible to RTS settlement.

As a consequence of the aforementioned, the following changes are proposed:

- during the weekend and upon triggering of a procedure to be created in the MOP
- run the *Regular NTS* starting at 20:00;
- inject the NLPV transactions in T2S only after the end of the *Regular NTS* (to avoid any negative impact or delay in the *Regular NTS* due to the massive injection of NLPV transactions);

The NLPV transactions must be:

- sent as already matched instructions (hence no allegation is created);
- In case the associated instructions are not sent as already matched, the time required to have the transactions ready to be settled, i.e. business validation (of two sese.023 instead of one sese.023 per transaction), allegation generation and matching of the instructions to create the transaction, could be doubled, thus delaying the start of the *Additional Standard NTS cycle*;
- put under Intraday Restriction⁸ (IR) until all NLPV transactions are available for the *Additional Standard NTS cycles*. Those transactions will therefore be considered as not eligible to *Short NTS Cycles* (meaning that SETT will not create any communication towards LCMM for the update of the involved instructions or creation of the corresponding status advice messages to inform that they are unsettled due to the IR).

⁷ Or Thursday if the related Friday is a T2S closing day

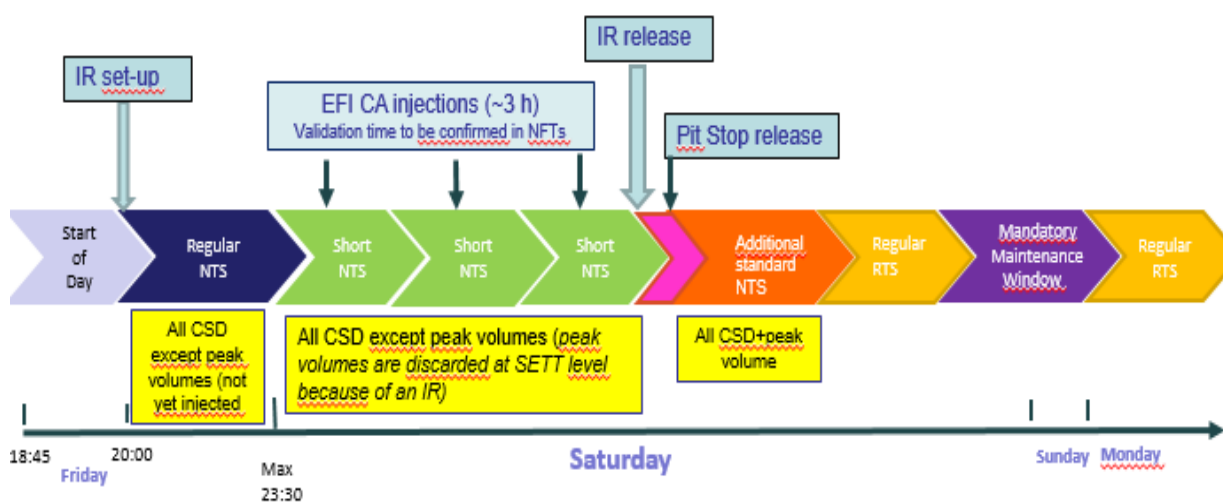
⁸ NTS late peak volumes will be identified as such by the CSD willing to trigger the associated procedure. As such they will put these transactions under intraday restriction at CSD level or per ISIN or for corporate actions ISO Transaction Code.

- run the *Short NTS cycles*, as dedicated NTS single-sequence cycles triggered by new events, while NLPV transactions are injected, in order to handle remaining unsettled and new arriving instructions from all CSDs excluding NLPV transactions whose ISINs are under IR.
- run an *Additional Standard NTS cycle* to settle NLPV transactions, once the associated instructions are fully injected, validated and hence available for settlement together with any other CSD transactions presented for settlement. This *Additional Standard NTS cycle* shall run under the same features as the *Regular NTS*.

Process description

The new weekend NTS process shall only be used upon request in the frame of an operational procedure defined in the MOP.

The following diagram shows the ad-hoc settlement day period applicable when triggering this procedure:

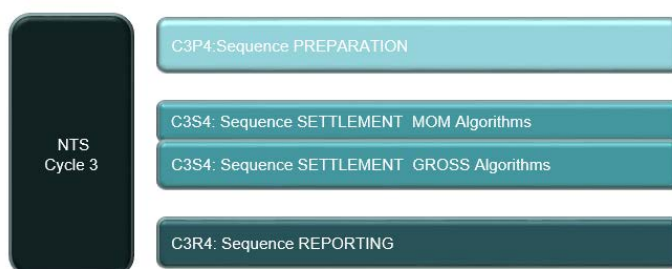


See in Annex for further details the high-level description of the operational procedure.

Features of the new Short NTS cycles

These cycles shall have the following features:

- They will include new repetitive cycles (C3), each composed of the same sequence 4, with (i) the same transaction selection criteria (excluding NLPV transactions under IR) and (ii) the same algorithms as for the regular NTS sequence C2S4.
The number of the NTS short cycles to be run cannot be known in advance and will depend on the time needed for the injection and the business validation of the already matched instructions for the NLPV transactions and, potentially, of the instructions for other CSDs.
- They will include new dedicated events issued from the scheduler module to trigger the cycles and their related processes, mainly the usual phases of sequence, i.e. preparation (C3P4), settlement (C3S4) and reporting (C3R4).
- They will send new camt.019 at the beginning of the first NTS Short cycle. The second and the following cycles will not be announced by an additional camt.019.



- They will provide the reporting of the settlement results, which include the sending of status advices and confirmations, in a normal NTS bundling communication, but excluding the reporting in the sequence of status advices for unsettled NLPV instructions whose transaction is under IR⁹ (in order to avoid massive reporting)
- They will NOT allow to subscribe at the end of the cycles to normal ISO report generation (semt.002, semt.018...) and to flat file reports
- They will comply with the requirement to have Short NTS cycles scheduled for a maximum of 15 minutes with the following implementation:
 - a Short NTS cycle to start every 15mn, and
 - in case a cycle takes less than the estimated 15 minutes and the scheduled time of the following cycle has not been reached, the next cycle will only start at its scheduled time
 - in case a cycle takes longer than the estimated 15 minutes (i.e. the scheduled time of the following cycle has been reached) the following cycle starts immediately after the end of the previous cycle
 - the ongoing Short NTS cycle process should come smoothly to an end and complete the cycle, before the Additional Standard NTS is launched by the scheduler (to be described in the operational procedure).

Features of the Additional Standard NTS cycle

This cycle replicates the features of the current existing NTS cycles:

- including two cycles (C4 and C5) composed of all standard sequences as in the *Regular NTS* (i.e. same design and features¹⁰).
- providing the reporting of the settlement results, which include the sending of status advice and confirmations, in a normal NTS bundling communication
- allowing to subscribe at the end of each sequence to normal ISO report generation (semt.002, semt.018...) subject to the standard ISO report configuration¹¹
- allowing to subscribe at the end of each cycle to intraday delta flat file reports (semt.002, semt.018...) subject to the flat file report configuration defined with CR-752 that implements this functionality¹².
- Sending the camt.019 at the beginning each cycle (C4 and C5), allowing to know which cycle the settlement is following.

Submitted annexes / related documents:

- CR-752: This change request is needed to allow flat file reporting during the *Additional Standard NTS cycles*. I.e.: This CR can be delivered before CR-752, but in this case no flat file reporting will be available for the *Additional Standard NTS cycles*.

⁹ The procedure shall include the creation of a table listing the CSD injecting NLPV transactions and the IR used. This allows to identify the IR to be excluded for this reporting.

¹⁰ Settlement Instructions, Settlement Restrictions and Liquidity Transfers will be eligible to the *Additional standard NTS cycles* C4 and C5 as they are in standard NTS cycles C1 and C2

¹¹ The corresponding ISO report configuration needs to be performed only once e.g. upon implementation of the CR. Once configured, every time the *Additional Standard NTS cycle* is triggered, the reports will be generated if configured for the relevant parties.

¹² The corresponding flat file report configuration needs to be performed only once e.g. upon implementation of the CR. Once configured, every time the *Additional Standard NTS cycle* is triggered, the intraday delta flat file reports will be generated if configured for the relevant CSDs.

Outcome/Decisions:

- *CRG on 16 June 2021: the CRG agreed to recommend CR-762 for T2S Steering Level authorisation following a fast-track approach.
- *AMI-SeCo on 28 June 2021: the AMI-SeCo agreed with the CRG recommendation of CR-762 for T2S Steering Level authorisation.
- *CSG on 28 June 2021: the CSG agreed to authorise CR-762.
- *NECSG on 28 June 2021: the NECSG agreed to authorise CR-762.
- * PMG on 02 July 2021: the PMG agreed to launch the detailed assessment of CR-762 in view of scoping in R7.0.
- *MIB on 14 July 2021: the MIB agreed to authorise CR-762.

Documentation to be updated:

Preliminary assessment:

Not performed as proposed for fast track

Detailed assessment:
