EUROPEAN CENTRAL BANK

EUROSYSTEM

| T2S CHANGE REQUEST FORM | | |
|---|---|---|
| **General Information (Origin of Request)**<br>☒ User Requirements (URD) or GUI Business Functionality Document (BFD)<br>☐ Other User Functional or Technical Documentation (SYS) | | |
| **Request raised by:** CSDR Task Force | **Institute:** CSD | **Date raised:** 11/05/2023 |
| **Request title:** Removal of T2S functionality for the identification of penalties related to a CCP | | **Request No.:** T2S 0806 URD |
| **Request type:** Common | **Classification:** Regulatory compliance | **Urgency:** Normal |
| **1. Legal/business importance parameter[1]:** Medium | **2. Market implementation efforts parameter[2]:** Low | |
| **3. Operational/Technical risk parameter[3]:** Low | **4. Financial impact parameter[4]:** Low-Medium | |
| **Requestor Category:** CSDR TF | **Status:** Implemented | |

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

The T2S Penalty Mechanism (CR654) was implemented to facilitate CSDs' compliance to CSDR settlement discipline requirements: 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 CSDR requirements, Article 19 of Commission Delegated Regulation (EU) 2018/1229 "Penalty mechanism where the participant is a CCP", CSDs have to provide a facility to help CCPs identifying the penalties in which they are the failing or non-failing party, as CCPs shall perform the collection and redistribution of cash penalties involving their clearing members.

To support this regulatory requirement, the T2S penalty mechanism identifies and flags in the daily, modified, and monthly penalty reports the T2S Parties or the counterparties of the penalty(ies) that are CCPs, as per the user requirement T2S.13.490 "Reporting of cash penalties involving a CCP".

On 19 April 2023, after public market consultation, ESMA introduced an amendment to Article 19 of Commission Delegated Regulation (EU) 2018/1229, which effectively removes the role of CCPs in the collection and distribution of penalties.

While the amendment of Article 19 does not prevent per se to flag CCPs in the penalty reporting, some CSDs rely on this information to derive, in their legacy platform, for which penalties they shall perform the collection and redistribution process. As such, the requirements T2S.13.490, T2S.16.1100 and T2S.16.1110 become unnecessary as there is no need to flag penalties where a CCP is party to the transaction. The revised Article 19 will enter into force on 1st September 2024. Due to time constraints, a workaround[5] is foreseen in T2S production environment to fulfil the requirement by this deadline.

The purpose of this change request is simply to remove this functionality from the T2S software and database, without the time constraint associated to the entry into force of the regulatory requirement.

**Description of requested change:**

This change request will ensure that there is a full removal of the functionality (functional change): remove static

[1] The legal/business importance parameter was set to "Medium" because this change aims to remove an unnecessary functionality from T2S and keep the system maintained.
[2] The market implementation effort parameter was set to "Low" as this change does not imply significant changes for T2S Actors.
[3] The operational/technical risk parameter was set to "Low" because it is not expected that this change request will have an operational impact on the T2S Actors.
[4] Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high
[5] Under the coordination of the OMG, the T2S Operator should perform a Last-Level intervention to empty the "Cash penalties CCP list" in the T2S database on 1st September 2024.

data objects and all T2S software used for the identification of CCPs.

This change envisages the complete decommissioning of the functionality implemented to identify the T2S Parties or the counterparties of the penalty(ies) that are CCPs.

**Submitted annexes / related documents:**

COMMISSION DELEGATED REGULATION (EU) /... on amending the regulatory technical standards laid down in Delegated Regulation (EU) 2018/1229 as regards the penalty mechanism for settlement fails relating to cleared transactions submitted by CCPs for settlement

**Outcome/Decisions:**

*ECB on 11 May 2023: the ECB team checked the completeness of the CR template, assigned change request number CR-0806 and informed the CR initiator.
*CRG on 17 October 2023: the CRG agreed to launch the preliminary assessment of CR-0806.
*CRG on 5 December 2023: the CRG agreed to recommend CR-0806 for authorisation by the T2S Steering Level, following a fast-track approach.
*AMI-SeCo on 21 December 2023: the AMI-SeCo agreed with the CRG recommendation of CR-806 for T2S Steering Level authorisation.
*CSG on 21 December 2023: the CSG agreed to authorise CR-806.
*NECSG on 21 December 2023: the NECSG agreed to authorise CR-806.
*MIB on 21 December 2023: the MIB agreed to authorise CR-806.
*PMG on 8 July 2024: the PMG agreed to launch the detailed assessment of CR-0806 with a view of scoping in R2025.JUN.
*CRG on 26 September 2024: the CRG agreed to recommend to the PMG the implementation of CR-0806 within the scope of R2025.JUN.
*OMG on 26 September 2024: the OMG did not find any operational impact on the inclusion of CR-0806 in R2025.JUN
*PMG on 27 September 2024: the PMG agreed to recommend to the Steering Level the implementation of CR-0806 with R2025.JUN.
*CSG on 4 October 2024: the CSG approved the implementation of CR-0806 with R2025.JUN.
*NECSG on 4 October 2024: the NECSG approved the implementation of CR-0806 with R2025.JUN.
*MIB on 7 October 2024: the MIB approved the implementation of CR-0806 with R2025.JUN.
*CRG on 14 November 2024: the CRG took note that the cost assessment has been updated to inform that the annual running costs will be decreased by 7,704.54 EUR due to the decommission of the functionality previously introduced by T2S-0748-URD 'Dedicated list of Central Counterparties (CCPs) to identify and flag CCPs in the penalty reports generated by T2S'.

**Documentation to be updated:**

**URD: As defined in "Description of requested change" section above**

~~13.5.2.7 Reporting of cash penalties involving a CCP~~

**~~Reporting of cash penalties involving a CCP~~**

| | |
|---|---|
| **~~Reference ID~~** | ~~T2S.13.490~~ |

~~For the Daily Cash Penalty List, the Modified List of Penalties, and the monthly reporting of aggregated amounts, T2S shall identify and flag in the report the T2S Parties or the counterparties of the penalty(ies) that are a Central Counterparty (CCP) based on the Cash Penalties CCP List.~~

~~**16.9.8 Cash Penalties CCP List**~~

~~**Definition**~~

| ~~**Reference ID**~~ | ~~T2S.16.1100~~ |
|---|---|

~~T2S shall use a list of BIC that defines the CCPs to be identified in the penalty reports. Each item of this list includes the following attributes:~~

- ~~BIC~~

~~Note: The BIC in this list are CCP BIC which are owner of a securities account in a T2S CSD.~~

~~**Maintaining the Cash Penalties CCP List**~~

| ~~**Reference ID**~~ | ~~T2S.16.1110~~ |
|---|---|

~~The Cash Penalties CCP List is maintained by the T2S operator.~~

~~Note: The content of this list is managed by the T2S Operational Managers Group (OMG) based on bilateral input between CSDs and CCPs.~~

**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 |
| T2S Operator | Cash Discount Penalty Rate | Currency Code | No |
| | | Daily Flat Penalty Rate | Yes |
| | | Valid From | No |
| ECB | Euro Exchange Reference Data[6] | Currency Code | No |
| | | Daily Exchange Rate | Yes |
| | | Exchange Rate Date | No |

[6] 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.

| Responsible T2S Actor | Class of Information | Attribute | Updatable |
|---|---|---|---|
| ~~T2S Operator~~ | ~~Cash Penalties CCP List~~ | ~~BIC~~ | ~~Yes~~ |

**UDFS:**

***1.6.1.14.4 Penalty Eligibility***

**Eligibility for a Settlement Fail Penalty (SEFP)**

(…)
~~Once the Applicable Parties are identified, T2S analyses whether they are a CCP or not by checking if their BIC is in the "Cash Penalties CCP List" of the Attribute Domain, as T2S shall identify and flag in the Penalty reports the T2S Parties or the Counterparties of the Penalty(ies) that are a Central Counterparty (CCP).~~

**Eligibility for a Late Matching Fail Penalty (LMFP)**
(…)
~~Once the Applicable Parties are identified, T2S analyses whether they are a CCP or not by checking if their BIC is in the "Cash Penalties CCP List" of the Attribute Domain, as T2S shall identify and flag in the Penalty reports the T2S Parties or the Counterparties of the Penalty(ies) that are a Central Counterparty (CCP).~~

**4.7.1. Daily Penalty List - Flat File Format Specifications**

***4.7.1.3.5 Format of Records***

The report details will contain the following information:

| Record Type | Field Number | Field Name | Data Format | Lenght | Description | Field Type | Additional Information |
|---|---|---|---|---|---|---|---|
| Body | 5 | Party type | CHAR(n) | 4 | It indicates the classification for the failing or the non-failing party of the new penalty (ies) reported. | M | Possible values are:<br>'NCSD' - Central Depository.<br>~~'CCPA' - CCP.~~<br>'CSDP' - CSD Participant.<br>'EXTE' - External Depository. |
| (...) | | | | | | | |
| Body | 8 | Counterparty type | CHAR(n) | 4 | It ~~specifies~~ indicates the classification for the failing or the non-failing counterparty of the new penalty (ies) reported. | M | Possible values are:<br>'NCSD' - Central Depository.<br>~~'CCPA' - CCP.~~<br>'CSDP' - CSD Participant.<br>'EXTE' - External Depository. |

**4.7.2 List of Modified Penalties - Flat File Format Specifications**

***4.7.2.3.5 Format of Records***

The report details will contain the following information:

| Record Type | Field Number | Field Name | Data Format | Lenght | Description | Field Type | Additional Information |
|---|---|---|---|---|---|---|---|
| (...) | | | | | | | |
| Body | 5 | Party type | CHAR(n) | 4 | It indicates the classification for the failing or the non-failing party of the modified penalty(ies) reported. | M | Possible values are: 'NCSD' - Central Depository. ~~'CCPA' - CCP.~~ 'CSDP' - CSD Participant. 'EXTE' - External Depository. |
| (...) | | | | | | | |
| Body | 8 | Counterparty type | CHAR(n) | 4 | It ~~specifies~~ indicates the classification for the failing or the non-failing counterparty of the modified penalty (ies) reported. | M | Possible values are: 'NCSD' - Central Depository. ~~'CCPA' - CCP.~~ 'CSDP' - CSD Participant. 'EXTE' - External Depository. |
| (...) | | | | | | | |

### 4.7.3 Monthly Aggregated Amounts - Flat File Format Specifications

#### *4.7.3.3.5 Format of Records*

The report details will contain the following information:

| Record Type | Field Number | Field Name | Data Format | Lenght | Description | Field Type | Additional Information |
|---|---|---|---|---|---|---|---|
| (...) | | | | | | | |
| Body | 4 | Party type | CHAR(n) | 4 | It indicates the classification for the failing or the non-failing party of the new or modified penalty(ies) reported. | M | Possible values are: 'NCSD' - Central Depository. ~~'CCPA' - CCP.~~ 'CSDP' - CSD Participant. 'EXTE' - External Depository. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Body | ~~6~~5 | Counterparty Account Servicer BIC | CHAR(n) | 11 | Primary BIC of the CSD of the counterparty of the monthly aggregated amount reported. | M | |
| Body | ~~7~~6 | Counterparty BIC | CHAR(n) | 11 | BIC of the Counterparty of the monthly aggregated amount reported. | M | Counterparty BIC |
| Body | ~~8~~7 | Counterparty type | CHAR(n) | 4 | It ~~specifies~~ indicates the classification for the failing or the non-failing counterparty of the new or modified penalty. | M | Possible values are: 'NCSD' - Central Depository. ~~'CCPA' - CCP.~~ 'CSDP' - CSD Participant. 'EXTE' - External Depository. |
| Body | ~~9~~8 | Monthly Aggregated Net Amount | NUMERIC(p) | 14 | Bilateral monthly net aggregated amount between a party and the corresponding counterparty. | M | Monthly aggregated net amount of all the active penalties computed for the business days of the previous month, in the related currency for the relevant party and counterparty. |
| Body | ~~10~~9 | Number of decimal digits for the Monthly Aggregated Amount | NUMERIC(p) | 2 | Number of decimal digits of the Monthly Aggregated Amount | M | |
| Body | 1~~1~~0 | Currency for the Monthly Aggregated Amount | CHAR(n) | 3 | Currency of the Monthly Aggregated Amount | M | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Body | 12~~2~~1 | Credit / Debit Indicator for the Monthly Aggregated Amount | CHAR(n) | 4 | It indicates whether the party is either imposed with or entitled to receive the Monthly Aggregated Amount. | O | Possible values are: 'DBIT' - The party is imposed with the Monthly Aggregated Amount . 'CRDT' - The party is entitled to receive the Daily Aggregated Net Amount. Not informed / Empty if the Monthly Aggregated Amount is zero. |
| Body | 13~~3~~2 | LF | CHAR(n) | 1 | Fixed Value: LF | M | LF = Line Feed (x'0A') |
| (...) | | | | | | | |

**GFS:**

**3.4.7.2 Description of the module**

| Reference Id | **LCMM.PEM.ELI.7.1** |
|---|---|

With the information above, the sub-function generates two Applicable Party instances (i.e.: one for the Failing Party and another one for the Non-failing Party) and, for each one of them, retrieves and stores its necessary attributes, i.e.:

- Individual Penalty ID: Composed of 16 characters (i.e.: F+Common Penalty ID for the Failing Party;N+Common Penalty ID for the Non-Failing Party).
- The CSD of the Applicable Party (of the Failing Party or of the Non-Failing Party) 117.
- Credit / Debit indicator: "Debit" for the Failing Party or "Credit" for the Non-Failing Party.
- ~~CCP flag: It indicates whether the Party is a CCP or not, as defined in the relevant Attribute Domain **{T2S.13.490}**.~~

| Reference Id | **LCMM.PEM.MOD.7.1** |
|---|---|

Two new Applicable Party instances associated to the new Penalty are generated (i.e.: one for the newFailing Party and another one for the new Non-failing Party as provided in the Penalty Modification) and, for each one of them, retrieves and stores its necessary attributes, i.e.:

- Individual Penalty ID: Composed of 16 characters (i.e.: F+Common Penalty ID for the new FailingParty; N+Common Penalty ID for the new Non-Failing Party);

- The CSD of the Applicable Party (of the new Failing Party or of the new Non-Failing Party 120);
- Credit / Debit indicator: "Debit" for the new Failing Party or "Credit" for the new Non-Failing Party;
- ~~CCP flag: It indicates whether the Party is a CCP or not, as defined in the relevant Attribute Domain.~~

#### 3.4.7.6 Data accessed by the module

| DATA | DATA ENTITY | ACCESS MODE | COMMENTS |
|---|---|---|---|
| ~~STATISTIC~~ STATIC DATA | | | |
| ~~STATISTIC~~ STATIC DATA | Attribute Domain - ~~Cash Penalties CCP List~~ "white list" | Read | Accessed for checking purposes |

**UHB:**

2.4.1.21 Available Report – Daily Penalty List – Details Screen

Business Functionality Document

| Report General Details | |
|---|---|
| Currency, Date and Party | |
| Party Type | ~~I CCPA is provided when the failing or non failing party of the penalty/ claim is a CCP; i.e.: in T2S this is done by checking if the party has a BIC in the Cash Penalties CCP List (list of BICs).~~<br><br>I CSDP is provided when the failing or non failing party of the penalty/claim is ~~neither~~ not a CSD ~~nor a CCP~~ and its party type is CSD Participant.<br><br>I EXTE is provided when the failing or non failing party of the penalty/claim is ~~neither~~ not a CSD ~~nor a CCP~~ and its party type is an external CSD in T2S. |
| Counterparty | |
| Counterparty Type | Shows the BIC of the Party that manages the account on behalf of the counterparty account owner.<br><br>The possible values are:<br>INCSD<br>I~~CCPA~~<br>ICSDP<br>IEXTE |

2.4.1.22 Available Report – List of Modified Penalties - Details Screen

Business Functionality Document

| Report General Details |
|---|
| Currency, Date and Party |

| | |
|---|---|
| Party Type | ~~I CCPA is provided when the failing or non failing party of the penalty/ claim is a CCP; i.e.: in T2S this is done by checking if the party has a BIC in the Cash Penalties CCP List (list of BICs).~~<br><br>I CSDP is provided when the failing or non failing party of the penalty/claim is ~~neither~~ not a CSD ~~nor a CCP~~ and its party type is CSD Participant.<br><br>I EXTE is provided when the failing or non failing party of the penalty/claim is ~~neither~~ not a CSD ~~nor a CCP~~ and its party type is an external CSD in T2S. |
| Counterparty | |
| Counterparty Type | Shows the BIC of the Party that manages the account on behalf of the counterparty account owner.<br><br>The possible values are:<br>INCSD<br>~~ICCPA~~<br>ICSDP<br>IEXTE |

2.4.1.23 Available Report – Monthly Aggregated Amounts – Details Screen

Business Functionality Document

| Report General Details | |
|---|---|
| Currency and Party | |
| Party Type | ~~I CCPA is provided when the failing or non failing party of the penalty/ claim is a CCP; i.e.: in T2S this is done by checking if the party has a BIC in the Cash Penalties CCP List (list of BICs).~~<br><br>I CSDP is provided when the failing or non failing party of the penalty/claim is ~~neither~~ not a CSD ~~nor a CCP~~ and its party type is CSD Participant.<br><br>I EXTE is provided when the failing or non failing party of the penalty/claim is ~~neither~~ not a CSD ~~nor a CCP~~ and its party type is an external CSD in T2S. |
| Counterparty | |
| Counterparty Type | Shows the BIC of the Party that manages the account on behalf of the counterparty account owner.<br><br>The possible values are:<br>INCSD<br>~~ICCPA~~<br>ICSDP<br>IEXTE |

**Preliminary assessment:**

- **Financial Impact:** Low-medium
- **Impacted modules:** Penalty Mechanism, CRDM, INTF
- **Impact on other Eurosystem Services or Projects:** No impact on T2, TIPS or ECMS

- **Risk analysis:** No risks have been identified during PA

- **Findings:**

The Penalty Eligibility function needs to be updated in order to remove the functionality in charge of the derivation and saving of the CCP Flag when generating the Applicable Parties of a Penalty.

The Penalty Modification function needs to be updated in order to remove the functionality in charge of the derivation and saving of the CCP Flag when generating the New Applicable Party instances associated to a Penalty after its modification.

The Preparation for Reporting function needs to be updated in order to remove the reporting of the CCP Flag in the Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts Penalties.

The Specifications for the flat file for reporting of penalties need to be updated in order to remove 'CCPA' from the list of possible values for the fields Party Type and Counterparty Type from the Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts Penalties.

The Data Model needs to be updated in order to remove the fields CCP Flag and Ctpty CCP Flag from Applicable Parties and Reporting tables.

On CRDM side it will be needed to delete the attribute domain "Cash Penalties CCP List".

Within the detailed assessment the reduction of maintenance costs will be analysed.

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

None

**Detailed assessment:**

| 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** | | **Eurosystem Single Market Infrastructure Gateway** (from R6.0 June 2022) | |
| | Communication | | Communication |
| | Outbound Processing | | Outbound Processing |
| | Inbound 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 |
| | Rules and parameters data management | X | Rules and parameters data management |
| | | | |
| **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) |
| | | X | Data Warehouse (from R6.0) |
| | | | |
| **Information** *(until June 2022 containing reference data)* | | **CRDM business interface** *(from R6.0 June 2022)* | |
| X | 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 |
| | MOP Contingency Templates | | |
| | | | |

| | | |
|---|---|---|
| **Impact on major documentation** | | |
| **Document** | **Chapter** | **Change** |
| Impacted GFS chapter | 3.4.7.2 Description of the module | Remove the retrieving of the CCP flag when generating the applicable parties of a new penalty or a reallocated one. |
| | 3.4.7.6 Data accessed by the module | Remove the access to the Attribute Domain related to the Cash Penalties CCP List. |
| | 4.2 Data Model | Remove the attribute CCP flag and CCPA as party type from the entity applicable party. |
| Impacted UDFS chapter | 1.6.1.14.4 Penalty Eligibility | Remove the explanation about how and why the eligibility process identifies and flags the parties with party type CCP. |
| | 4.7.1.3.5 Format of Records<br>4.7.2.3.5 Format of Records<br>4.7.3.3.5 Format of Records | Remove CCPA – CCP as possible value in the party type and counterparty type fields of the Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts flat files. |
| Additional deliveries for Message Specification (UDFS, MyStandards, MOP contingency templates) | Securities Transaction Penalties Report (DRAFT4semt.044.001.01) | Customization in Mystandards of semt.044 to remove the “CCPA” (Central Counterparty) Code as one of the possible values from Party Identification Type element, as with this CR the functionality to identify CCPs will be removed. |
| UHB | 2.4.1.21 Available Report – Daily Penalty List - Details Screen | Remove CCPA – CCP as possible value in the party type and counterparty type fields of the |

| | | |
|---|---|---|
| | 2.4.1.22 Available Report – List of Modified Penalties - Details Screen<br><br>2.4.1.23 Available Report – Monthly Aggregated Amounts - Details Screen | Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts available report screens |
| External training materials | | No impact |
| Other impacted documentation (FA Sch. 05, FA Sch. 07) | | No impact |
| Impacted GDPR message/ screen fields | | No impact |
| Other documentations | | |

| Links with other requests: | | | | |
|---|---|---|---|---|
| Links | Reference | T2S-0748-URD | Title | "Dedicated list of Central Counterparties (CCPs) to identify and flag CCPs in the penalty reports generated by T2S" |

**OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT**

**Summary of functional, development, infrastructure and migration impacts**

The Penalty Mechanism checks whether the failing party or the non-failing party of a penalty are a CCP at the eligibility process, and if so this information is provided in the cash penalty reports (i.e. Daily Cash Penalty List, the Modified List of Penalties, and the Monthly Reporting of Aggregated Amounts).

The same check is done in case of re-allocation of a penalty: when performing the re-allocation, the original penalty status is set to "Removed", and a new penalty is created; the BICs of the applicable parties of this new penalty were provided in the re-allocation request, and it is necessary to check if they are included in the "Cash Penalties CCP list" in order to be able to identify if the new failing or the new non-failing party are a CCP.

As this identification and reporting is no longer required, its whole functionality must be removed.

For this purpose, the Penalty Mechanism module has to be updated in order to remove the accesses to the Cash Penalties CCP list, which checked if a party had CCP as party type, and the associated code, in the following functions:

- Penalty Eligibility
- Penalty Modifications
- Penalties Preparation for Reporting

Additionally, CCP as possible value for the party type and counterparty type field must be removed from:

- Semt.044 'Securities transaction penalty report' ISO report
- Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts - available report screens, screens specifications and its associated UHB sections.
- Format specifications of the Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amount flat files, included in UDFS.

LCMM Data Model must be updated in order to remove the fields related to CCP flag, Counterparty CCP Flag and CCP as possible party type value.

This CR requires the following changes in Mystandards:

Customization for semt.044:

- Prune out the code "CCPA" (Central Counterparty) within the element /Document/SctiesTxPnltiesRpt/Pnlty/PtyId/Tp/Cd in the Party Identification block and remove from the T2S-Use and T2S-Mapping of the mentioned element any reference to CCPA.
- Prune out the code "CCPA" (Central Counterparty) within the element /Document/SctiesTxPnltiesRpt/Pnlty/PnltyPerCtrPty/PtyId/Tp/Cd in the Penalty per Counterparty block and remove from the T2S-Use and T2S-Mapping of the mentioned element any reference to CCPA.

The Flow for Penalty Reports should be updated, the CCPA – CCP party type will be removed.

The Attribute domain "Cash Penalties CCP List" will be removed.

The update of the LCMM data model should be reflected also in DWH.

**Main cost drivers:**

- Update of the Penalty Mechanism software to remove the CCP Flag logic, processing and reporting. Update of the flat file for reporting of penalties in order to remove 'CCPA' from the list of possible values for the fields Party Type and Counterparty Type from the Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts Penalties. In T2S INTF the new semt.044 message schema should be imported (A2A) and the fields related to CCPA in Monthly Penalty Rate Entity (ccpFlag and couterpartyCcpFlag) should be removed in U2A. Adjustments in REM and DWH [30%];
- Non-regression testing and validation testing [40%];

| |
|---|
| • Specifications and MyStandards updates [17%] |
| **Impact on other TARGET Services and projects** |
| No impact on other Eurosystem Services (T2, TIPS) or projects (ECMS). |
| **Summary of project risk** |
| No risks have been identified during detailed assessment. |
| **Security analysis** |
| No adverse effect has been identified during security assessment. |

07 November 2024

# Cost assessment on Change Requests

| T2S-806-SYS – Removal of T2S functionality for the identification of penalties related to a CCP | | | |
|---|---|---|---|
| One-off | Assessment costs*<br>- Preliminary<br>- Detailed | <br>2,000.00<br>10,000.00 | <br>Euro<br>Euro |
| One-off | Development costs | 170,156.59 | Euro |
| Annual | Operational costs<br>- Maintenance costs**<br>- Running costs | <br>(7,704.54)<br>0.00 | <br>Euro<br>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).

**7,704.54 EUR will be reduced on annual basis of the maintenance cost assessed with the Change Request T2S-0748-URD.