

URD CLARIFICATION NOTE

1. Introduction

The T2S Programme Office (T2S PO) is in close cooperation with the T2S stakeholders, i.e. CSDs, Central Banks and banks to provide answers to their T2S-related questions of functional/technical nature. The aim of this cooperation is to support market participant's adaptation to T2S by explaining the functionalities and design of T2S.

In this interaction with the T2S stakeholders, the T2S PO has noted some cases where market participants have understood the (implementation of the) User Requirement Document (URD) differently from each other or in a different way than it was implemented in T2S.

The User Detailed Functional Specifications (UDFS) and the User Hand Book (UHB) provide a very detailed description of the T2S features and are considered by many of the T2S stakeholders / future users of the platform as the reference manuals for the application. In any case, it is worth highlighting that the more detailed document prevails as defined in the Framework Agreement¹.

In line with the transparency of the T2S programme and following the experience gained in the close cooperation with the market, the T2S PO has decided to prepare a clarification note in order to point out some URD elements for which there could be room for interpretation with the functional documentation. This clarification note also aims to support the market in the preparation for testing and migration to T2S.

This note has been prepared for clarification purposes and it does not intend to add or remove any functionality to or from the URD.

The URD clarifications are included in the section 2 of this document. The URD clarifications that are sorted by requirement are structured as follows: (i) affected requirements; (ii) clarification of the requirement's implementation; and (iii) references to underlying specifications.

The URD clarifications are not meant to be exhaustive as this exercise is based on specific questions received from market participants where the T2S PO had the opinion that a clarification to other market participants could be considered helpful.

¹ Article 2(5) of the T2S Framework Agreement, "if a requirement/function is not specified in the GFS or the UDFS, the URD shall prevail." Thus, a contrario if a requirement/function is specified in the GFS or UDFS, these shall prevail over the URD. In the case at hand, it appears that the requirement regarding the MSAs is in fact specified in the UDFS, so that pursuant to Article 2(5) of the FA the UDFS apply and not the URD.

2. URD clarifications

Requirement	Clarification of the requirement's implementation	UDFS - UHB reference
T2S.03.070, T2S.03.080, T2S.03.180, T2S.08.850	<p><u>EoD cash management processes</u></p> <p>EoD cash management processes are performed during the real-time settlement closure process, at the end of the real-time settlement period. Automated cash sweeps, which are outbound transfers of all available liquidity from T2S Dedicated Cash Accounts to RTGS Accounts are included in this process.</p>	<p>UDFS: Section "1.4.4.4.5 Real-time settlement closure schedule",</p> <p>UDFS: "Table 92 – Processes during the first night-time settlement cycle"</p>
T2S.03.135, T2S.07.080, T2S.08.220, T2S.11.735	<p><u>Partial settlement for the Night-time settlement period</u></p> <p>The partial settlement window in the night-time settlement period is scheduled to run during the second sequence X of the last night-time cycle for all eligible unsettled transactions. The start or stop of a partial settlement window is controlled and triggered exclusively by the T2S scheduling module sending the relevant event.</p>	<p>UDFS: Section "1.4.3.2 Settlement day high level processes", "Table 88 – Settlement day high level processes",</p> <p>"Table 93 – Dependencies between processes during the last night-time cycle"</p>
T2S.05.125	<p><u>Market-specific restriction check</u></p> <p>Market specific restrictions may apply on settlement instructions and settlement restrictions on intra-positions and intra-balance movements.</p>	<p>UDFS: Table 7 – Applicable parameter types for Settlement Instructions and Restrictions</p>
T2S.05.126, T2S.16.910	<p><u>Configuration of eligible Counterpart CSDs</u></p> <p>Each CSD must specify which CSDs it accepts as counterpart for settlement in T2S for a given period, regardless of the fact that the counterpart is internal or external to T2S. Eligibility of the counterparty can be restricted at single ISIN level. Each CSD is responsible for defining all relevant eligible counterpart CSDs for itself and for all its external CSDs, i.e. for all its participants with party type “External CSD”.</p>	<p>UDFS: Section "1.2.2.4 Configuration of eligible counterparts CSDs"</p>

<p>T2S.05.385, Chapter 13 Diagrams</p>	<p><u>Communication of Negative Matching Status</u></p> <p>T2S does not inform about any unsuccessful matching attempt of a settlement instruction that is sent as unmatched by a T2S Actor.</p> <p><u>Information on hold status of the counterparty's instruction</u></p> <p>A counterparty is informed about the hold status of the counterparty's instruction by a Pending status (i.e. unsettled):</p> <ul style="list-style-type: none"> - once the Intended Settlement Date of the referenced Settlement Instruction has been reached if the referenced instruction is on Hold - once the Intended Settlement Date of the referenced Settlement Instruction has been reached and the Hold status has previously been reported to the party if the referenced instruction is "Released". 	<p>UDFS: Sections "1.6.1.3 Allegement", "2.10.3.3 Referenced Settlement Instruction Intended Settlement Date Check" ,</p> <p>UDFS: Section "2.10.3.3 Referenced Settlement Instruction Intended Settlement Date Check"</p>
<p>T2S.05.470</p>	<p><u>Cancellation of a CoSD instruction</u></p> <p>A cancellation request of a settlement instruction identified as a CoSD instruction is only possible for the Administering Party and the relevant CSD. Otherwise, the cancellation request will be rejected by T2S.</p>	<p>UDFS: Section "2.7 Send Cancellation Instruction for CoSD by Administering Party"</p>
<p>T2S.06.063, T2S.06.067, T2S.16.660, T2S.16.661</p>	<p><u>Multiple liquidity provider functionality</u></p> <p>The T2S multiple liquidity provider functionality supports the sequencing of standing liquidity transfer orders from T2S Dedicated Cash Accounts to RTGS Accounts of the relevant RTGS system (connected to T2S). At the end of the night-time settlement period, remaining liquidity on T2S Dedicated Cash Account(s) will be reimbursed according to the prioritisation of liquidity providers defined in the static data.</p> <p>The multiple liquidity provider functionality is not available for inbound liquidity transfers (from RTGS to T2S Dedicated Cash Accounts) , transfers have to be initiated from the relevant RTGS system.</p>	<p>UDFS: Section "1.6.2.6 Multiple Liquidity Provider"</p>

T2S.07.200	<p><u>Modification of priority of Settlement Instructions</u></p> <p>T2S Actors can modify the level of priority of a Settlement Instruction until its full settlement through a Maintenance Instruction. For partially settled Settlement Instruction, the new level of priority applies to the pending part of the Settlement Instruction.</p>	UDFS: Section "1.6.1.9.2 Prioritisation"
T2S.07.360, T2S.07.370	<p><u>Usage of reserved securities position</u></p> <p>A T2S Actor may decide between 2 options when using a reserved securities position:</p> <ul style="list-style-type: none"> - Direct debit: excluding the ability to complement the requested quantity with the one of other securities position. The T2S Actor indicates only the reserved securities position as impacted balance and all the restriction references mentioned have to belong to this single reserved securities position - Indirect debit: use of reserved securities position complemented with deliverable or earmarked position. The T2S Actor indicates the deliverable or earmarked position as impacted balance and the restriction references may belong to different reserved securities position. 	Section "1.6.1.13.4 Securities reservation process"
T2S.08.500, T2S.08.860, T2S.16.582, T2S.16.591, Figure 16-6, T2S.16.616	<p><u>Central Bank collateralisation</u></p> <p>Each Central Bank may open one or more T2S Central Bank Account for the purpose of auto-collateralisation. The linkage between the T2S Central Bank Account providing the credit and the T2S Dedicated Cash Account of the Payment Bank receiving the credit is defined within the CMB. Likewise, the Securities Account to be used as regular securities account for collateralisation and the Securities Account belonging to the Central Bank (as a CSD Participant) to be used as receiving Securities Account for the Central Bank collateralisation (in case of repo collateralisation procedure) are defined within the CMB.</p> <p><u>Client collateralisation</u></p> <p>At the creation of the CMB, the Payment Bank defines the Securities Account for receiving collateral (only repo collateralisation procedure is allowed).</p>	UHB: Section "2.5.4.3 CMB- New/Edit Screen"

T2S.08.850	<p><u>Automated reimbursement of pending intraday credit with central banks</u></p> <p>At 4:30 p.m., during the real-time settlement closure period, T2S shall automatically release and attempt settlement of any pending reverse collateral settlement instruction related to Central Bank collateralisation provided by Central Banks to their Payment/Settlement Banks.</p>	UDFS: Section "1.4.4.4.5 Real-time settlement closure schedule"
T2S.10.060, Figure 10-1	<p><u>Auto-collateralisation limit for a T2S Dedicated Cash Account</u></p> <p>Auto-collateralisation limits for Central Bank and client collateralisation are managed through the Credit Memorandum Balance monitoring tool. The limit amount is set by default to 0 at the creation of the Credit Memorandum Balance when configuring the T2S Dedicated Cash Account for collateralisation. . Therefore, the cardinality of the association between the Credit Memorandum Balance and Limit is 1:N.</p>	UDFS: Sections "1.6.2.2.3 Central bank collateralisation limit management process", "1.6.2.2.4 Limits set by payment/settlement banks management process"
T2S.11.440	<p><u>Users and certificates</u></p> <p>T2S Actors assign digital certificates to their users (i.e. either individuals interacting with T2S in U2A mode or applications interacting with T2S in A2A mode). If a T2S Actor uses multiple connectivity providers to connect to T2S, then it has to assign one certificate to each of its individuals and applications for each of these connectivity providers.</p>	UDFS: Section "1.3.2 Authentication and authorisation"
T2S.11.651, T2S.11.662	<p><u>Currency as parameter for earmarking for auto-collateralisation</u></p> <p>The restriction type earmarking for auto-collateralisation can be defined for a specific currency or for all T2S settlement currencies.</p> <p><u>Restriction Processing Types in T2S</u></p> <p>The following Restriction Processing Types are available on securities positions and cash balances in T2S: Deliverable, CoSD Blocking, Collateralised, Earmarking for auto- collateralisation,</p>	<p>UHB: Section "2.5.9.8 Restriction Type - New/Edit Screen</p> <p>UDFS: Sections "1.2.1.8 Restriction types", "1.6.1.13 Securities Blocking/Reservation/Earmarking"</p>

	Blocking, Reservation and Earmarking.	
T2S.13.290	<p><u>Billing Data Report</u></p> <p>The details backing an invoice are available to T2S Actors in A2A mode at the end of a billing period as a response to a Billing Report Request message containing information on requested items (cumulative or itemised billing data). It is possible to request the details backing an invoice without generating the actual invoice.</p>	UDFS: Section "3.3.3.31 BillingReportV01 (camt.077.001.01)"
T2S.14.100	<p><u>Securities Account Position Query</u></p> <p>Restriction and Restriction Processing Types on sub-positions and time are available as search criteria for the query.</p>	UDFS: Section "3.3.7.11 SecuritiesAccountPositionQueryV01 (semt.025.001.01)"
T2S.14.261	<p><u>Securities Settlement Transaction Query</u></p> <p>The auto-collateralisation indicator is not available as selection or output parameter in the query.</p>	UDFS: Sections "3.3.7.12 SecuritiesSettlementTransactionQueryV01 (semt.026.001.01)", "SecuritiesSettlementTransactionQueryResponseV01 (semt.027.001.01)"
T2S.14.540, T2S.14.550	<p><u>Auto-collateralisation eligibility currency for securities query</u></p> <p>The auto-collateralisation eligibility currency is not available as a selection and return parameters for Securities queries. The information is available through the CollateralValueQuery which provides the collateral value of a security.</p>	UDFS: Section "3.3.4.1 CollateralValueQueryV01 (colr.001.001.01)"
T2S.14.560	<p><u>Party Reference Data Query</u></p> <p>The System Entity Identifier is derived from the T2S System User who runs the query and therefore it does not appear as a selection or output parameter for the query.</p>	UDFS: Sections "3.3.6.9 PartyQueryV01 (reda.015.001.01)", "3.3.6.11 PartyReportV01 (reda.017.001.01)"
T2S.14.605	<p><u>Securities Account List Query</u></p> <p>The Party Short Name is an additional output parameter for queries related to securities accounts</p>	UHB: Section "2.5.3.6 Securities Account - Details Screen"

	<p>in U2A mode.</p> <p><u>End-investor flag</u></p> <p>The end-investor flag is available as a selection and output parameter.</p>	
T2S.14.640	<p><u>T2S Dedicated Cash Account Reference Data Query</u></p> <p><u>Account type</u></p> <p>The T2S Dedicated Cash Account Type is available as a selection and output parameter in the Cash Account Reference Data Query. Values for the T2S Dedicated Cash Account Type can be:</p> <ul style="list-style-type: none"> - CSHA (T2S Dedicated Cash Account) - NCBA (T2S Central Bank Account) - RTGS (RTGS Dedicated Transit Account) <p><u>System Entity Identifier</u></p> <p>The System Entity Identifier is derived from the T2S System User who runs the query and therefore it does not appear as a selection or output parameter for the query.</p>	<p>UDFS: Section "3.3.1.7 AccountListReportV01 (acmt.026.001.01)",</p> <p>"Table 107 – Parameter types for restriction rules checked in Settlement Restrictions on cash"</p>
T2S.14.650	<p><u>Currency as output in the T2S Dedicated Cash Account List Query</u></p> <p>The output of the query includes the T2S dedicated cash account identifier, party identifier of the party holding the T2S dedicated cash account, the T2S dedicated cash account status, the NCB and the currency.</p>	<p>UDFS: Section "3.3.1.7 AccountListReportV01 (acmt.026.001.01)"</p>
T2S.14.660, T2S.14.665, T2S.16.650	<p><u>Validity of a Cash Memorandum Balance Securities Account Link:</u></p> <p>The Credit Memorandum Balance itself has an unlimited validity period, but it contains links to Receiving and Regular Securities Accounts which have a limited validity period. These links can only be created or updated as of a future date. The "Valid From "and "Valid To "attributes are used to determine whether the CMB Securities Account Link is active in T2S.</p> <p><u>Settlement and auto-collateralisation eligibility for a T2S Dedicated Cash Account</u></p> <p>The eligibility of a T2S Dedicated Cash Account for auto-collateralisation is defined when setting</p>	<p>UDFS: Sections "1.2.6.7 Links between securities accounts and T2S dedicated cash accounts",</p> <p>"1.6.3.3.3 Validity of static data objects",</p> <p>UHB: Section "2.5.3.1 Securities Accounts Links - Search/List Screen"</p>

	<p>up the CMB.</p> <p>The eligibility of a T2S Dedicated Cash Account for settlement is defined when setting up the CMB Securities Account Link.</p> <p><u>Securities Accounts Links (CMB) query</u></p> <p>Links between Securities Accounts and T2S Dedicated Cash Accounts can be queried in U2A mode via "Securities Accounts Links" Screen.</p>	
T2S.14.811, T2S.14.870	<p><u>T2S Dedicated Cash Account Balance Query</u></p> <p>T2S allows T2S Actors to query the cash balance of a specific restriction type (i.e. Deliverable, CoSD Blocking, Blocking and Reservation) or to query the cash balances of all restriction types at the same time.</p>	UDFS: Sections "3.3.3.1 GetAccountV05 (camt.003.001.05)", "3.3.3.2 ReturnAccountV05 (camt.004.001.05)"
T2S.14.830, T2S.14.831, T2S.14.832, T2S.14.840	<p><u>BIC parameter for queries on T2S Securities Accounts and T2S Dedicated Cash Accounts</u></p> <p>The BIC is available as a selection parameter for queries on T2S Securities Accounts and Dedicated Cash Accounts. This provides the flexibility for NCBs and Payment Banks to check the collateral value of securities made available by respectively Payment Banks and Clients for auto-collateralisation provided the relevant privileges on securities accounts are granted by the CSD.</p> <p><u>Participants monitoring possibility for NCBs</u></p> <p>The T2S hierarchical party model and the static data scope concept allow NCBs to monitor their payment bank activity in T2S through queries.</p> <p>In addition, the BIC is available as a selection parameter for the following queries:</p> <ul style="list-style-type: none"> - Total current collateral value of securities on stock per T2S dedicated cash account - Current collateral value of securities on stock per T2S dedicated cash account and security - Current collateral value of a security by securities account 	UDFS: Sections "3.3.3.1 GetAccountV05 (camt.003.001.05)", "3.3.3.2 ReturnAccountV05 (camt.004.001.05)", "3.3.4.1 CollateralValueQueryV01 (colr.001.001.01)"

T2S.14.960	<p><u>Participants monitoring possibility for CSDs/NCBs</u></p> <p>The T2S hierarchical party model and the static data scope concept allow CSDs/NCBs to monitor their participants activity in T2S, as they will have access to the same queries as the CSD participant/payment bank for itself.</p>	UDFS: Section "1.2.1.3 Hierarchical party model"
T2S.15.120	<p><u>Billing Period</u></p> <p>The billing period and invoice cycle is 1 calendar month. In exceptional circumstances, the T2S Operator can generate an invoice for a period lower than one month upon request from a CSD/CB.</p>	UDFS: Sections "2.24.2.1 Invoice Production", "3.3.3.31 BillingReportV01 (camt.077.001.01)"
T2S.16.380, T2S.16.550, T2S.16.590, T2S.16.600	<p><u>Business status of the Parties, Securities, Securities Accounts and T2S Dedicated Cash Accounts:</u></p> <p>Parties, Securities, Securities Accounts and T2S Dedicated Cash Accounts are static data objects with a limited validity period. The "Valid From "and "Valid To "attributes are used to determine their status (i.e. whether the objects are valid and active in T2S).</p>	UDFS: "Table 140 – Static data objects with limited validity period"
T2S.16.570	<p><u>Identification of parties in T2S:</u></p> <p>Parties in T2S are identified via their BIC on 11 characters (BIC11), composed of the primary BIC on 8 characters and the optional branch code on 3 characters ("XXX" referring to the primary office).</p> <p>The BIC is represented by a single attribute in the static data.</p>	UDFS: Section "1.2.1.5 Party identification"
T2S.16.898, T2S.16.900	<p><u>Auto-collateralisation eligibility for a T2S Securities Account</u></p> <p>A Securities Account is eligible for auto-collateralisation if the Securities Account is linked to a Dedicated Cash Account by the Credit Memorandum Balance Securities Account Link. Please note that the currency and the Central Bank are defined in the Dedicated Cash Account set-up.</p>	UDFS: Section 1.2.6.7 "Links between securities accounts and T2S dedicated cash accounts"