General Information (Origin of Request)		
☐ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		
Request raised by: Clearstream	**Institute:** CSD	**Date raised:** 31/07/2012
Request title: Counterparty BIC and Counterparty CSD BIC as additional validation parameters for case 1 restrictions		**Request ref. no:** T2S 0354 SYS
Request type: Common	**Urgency:** Normal	
1. Legal/business importance parameter: (C, H, M, L) High	**2. Market implementation efforts parameter:** (H, M, L) Low	
3. Operational/Technical risk parameter: (H, M, L) Low	**4. Financial impact parameter:** (H, M, L) (*to be filled in by 4CB*)	
Requestor Category: CSD	**Status:** Parked	

Reason for change and expected benefits/business motivation:

In current CSD environments various validation rules are performed on a transaction basis, i.e. on a combination of parameters from both delivery and receipt leg. Such validations will not be supported by T2S. Instead, T2S allows validations only on single leg level, i.e. for each leg separately.

This CR requests to implement the possibility to apply at least a minimum of counterparty-related validations based on information contained in one single instruction leg, namely the counterparty and the corresponding counterparty CSD.

This will allow a rule setup in T2S to differentiate cases where an additional CSD validation is required from cases which can settle without further interaction by the responsible CSD. Overall, this will allow to limit the cases where a CSD has to interfere with the settlement process on T2S, thus enabling seamless processing in various cases where otherwise a much broader validation approach would have to be applied.

E-g- with these new parameters it will be possible

- To differentiate a domestic instruction from a cross-border instruction, and thus enabling the related differentiation of rules.
    - To apply different validation rules to domestic instructions (with both counterparties in the same CSD) compared to cross-border transactions.
    - To allow or to restrict certain activities in the domestic context without interfering with potential cross-border scenarios
- To differentiate between different combinations of parties being involved in a transaction, and again to enable more fine-grained validation rules
    - To allow or to restrict certain activities for specific (counter-)parties only, e.g. in combinations with specific ISO transaction codes

Requirements for such differentiations arise for almost every non-settlement process where parts of the process are to be executed on T2S, e.g. custody,collateral management or issuance-related services.

With the more fine-grained rule definition options, it will be possible to limit the number of instructions where additional validation will be required significantly since the filtering mechanism is extended by one crucial parameter. This is required to support seamless settlement processing on T2S.

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Description of requested change:

It must be possible to define counterparty-specific and counterparty-CSD-specific validation rules in T2S.

To enable this feature, the list of possible Restriction Type Parameter Types must be extended by two additional parameters for usage in validation rules related to case 1 restrictions:

- Counterparty BIC
- Counterparty CSD BIC

These parameters must be usable in CSD Validation Hold related validation rules, in combination with the existing parameters, and with the same restriction processing options (CSD Validation Hold, Reject).

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Submitted annexes / related documents:

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Proposed wording for the SYS Change request (Provided by Clearstream):

The additional validation parameters must be described in the corresponding sections of the UDFS. Potentially, the list of examples should be extended to include one example where one of the new parameters is used in a rule.

UDFS section <1.2.1.8 Restriction types>

Table 6 must be updated to include the new parameter fields:

PARAMETER TYPE	DESCRIPTION	CASE
Party	It specifies the instructing party.	1 and 2
Party Type (of the Instructing Party)	It specifies the type of the instructing party. The exhaustive list of possible values is as follows: - CSD - CSD Participant - External CSD	1 only
Party Type (of the Account Owner)	It specifies the party type of the account owner. The exhaustive list of possible values is as follows: - CSD - CSD Participant - External CSD	1 only
Counterparty	It specifies the counterparty	1 only
Counterparty CSD	It specified the CSD of the counterparty	1 only
Security	It specifies the ISIN of a financial instrument.	1 only

Table 7 must be updated to include the new parameter types:

SETTLEMENT INSTRUCTION / SETTLEMENT RESTRICTION	PARTY	PARTY TYPE (OF THE INSTRUCTING PARTY)	PARTY TYPE (OF THE ACCOUNT OWNER)	Counterparty	Counterparty CSD	SECURITY
Settlement Instruction	Yes	Yes	Yes	Yes	Yes	Yes
Intra-position Movement Instruction	Yes	Yes	Yes	No	No	Yes
Intra-balance Movement Instruction	Yes	Yes	Yes	No	No	No

Table 8 must be updated to clarify which message attributes will be used:

APPLICABLE PARAMETER TYPE	TYPE OF CHECK[15]	MESSAGE	MESSAGE FIELD
Party	Indirect	BAH	\Fr\FIId\FinInstnId\Othr\Id, \Fr\FIId\FinInstnId\BICFI
Party Type (of the Instructing Party)	Indirect	BAH	\Fr\FIId\FinInstnId\Othr\Id, \Fr\FIId\FinInstnId\BICFI
Party Type (of the Account Owner)	Indirect	camt.066 sese.023 sese.023 sese.023	\CshAcct\Id\Othr\Id \QtyAndAcctDtls\SfkpgAcct\Id \DlvrgSttlmPties\Pty1\SfkpgAcct\Id \RcvgSttlmPties\Pty1\SfkpgAcct\Id

		semt.013	\SfkpgAcct\Id
Counterparty	Direct	sese.023 sese.023	\DlvrgSttlmPties\Pty1\Id \RcvgSttlmPties\Pty1\Id
Counterparty CSD	Direct	sese.023 sese.023	\DlvrgSttlmPties\Dpstry\Id \RcvgSttlmPties\Dpstry\Id
Security	Direct	sese.023 semt.013	\FinInstrmId\ISIN \FinInstrmId\ISIN

For both new parameters, a footnote must be added that clarifies that for a DELI instruction the receiving party / CSD will be taken, and for a RECE instruction the delivering party / CSD.

The new parameters must be made available in all user interfaces where case-1-rules can be manually configured.

Furthermore, the new parameters must be supported in all DMT used for the initial configuration of the rules.

Optional: additional example to describe the usage of these new parameters:

Example 13 and 14 should be extended by an additional rule which uses the counterparty, e.g.

The first example defines a restriction type that is supposed to put on hold Settlement Instructions fulfilling any of the following criteria:

-   The securities movement type of the instruction is "Receive" and the relevant party is either Party ABC or Party XYZ or
-   The ISO transaction code is "ISSU" and the counterparty is Party DEF or
-   The Instructing party is Party ABC and the counterparty is Party DEF
-   The exchanged financial instrument is identified by ISIN 1 …

The text should describe these cases, and the table in example 14 should be extended accordingly.

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High level description of Impact:

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Outcome/Decisions:

CRG meeting of 1-2 October 2012: The Change Request is discarded for release 1 and will potentially be considered for a future release of T2S.