

<b>General Information (Origin of Request)</b>		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> CBF	<b>Institute:</b> CSD	<b>Date raised:</b> 16/11/2015
<b>Request title:</b> Introduce "Not equal" operator for defining rules in T2S rule based models		<b>Request ref. no:</b> T2S 0569 SYS
<b>Request type:</b> Common		<b>Urgency:</b> Normal
<b>1. Legal/business importance parameter:</b> High	<b>2. Market implementation efforts parameter:</b> Low	
<b>3. Operational/Technical risk parameter:</b> Low	<b>4. Financial impact parameter:</b> High	
<b>Requestor Category:</b> CSD	<b>Status:</b> Withdrawn by the initiator	

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

T2S support a broad functionality to implement case 1 restrictions in T2S. E.g.:

- Case 1 restrictions can be configured for with Restriction Processing Type "Rejection" or "CSD Validation Hold"
- Case 1 restrictions can be configured as "Positive" or "Negative" Parameter set, i.e. they can apply a given action to all instructions meeting the parameters, or they can exempt instructions from any such validation
- Case 1 restriction rules can be configured with a variety of parameters, including Market Specific Attributes (MSAs).

However, for the configuration of restriction rules, there is only one available operator: the "Equal" operator. That implies that in order T2S to apply a restriction type case 1 on a given settlement instruction, the instruction has to match the exact same rule parameter values defined in the T2S static data. In other words, T2S applies Case 1 restrictions only, if the instruction parameters equal all parameters defined in the rule.

This limitation makes it very complex to migrate existing legacy validation rules into T2S. For example, a given rule of the type

- If instructing party = T2SACTORBIC and market specific account type <> 1, then REJECT

cannot be configured in T2S in the same way. The possible workarounds either lead to proliferation of rules, or they result in highly complex scenarios involving negative rules. For example, it would be possible to configure the following rules in T2S:

- If instructing party = T2SACTORBIC and market specific account type = 2, 3, 4, ..., 30, then REJECT

Instead of one rule for one parameter value, it would be required to configure one rule for each other possible account type, thus leading to a proliferation of rules.

Alternatively, the validation could be configured as a combination of both a positive and a negative rule:

- IF instructing party = T2SACTORBIC, then REJECT
- IF instructing party = T2SACTORBIC and market specific account type = 1, then DO NOT REJECT

In this case, it should be kept in mind that such a configuration of the restriction model would generally waive any other market specific rejection rule in T2S, possibly resulting in other applicable market specific validations being skipped. To avoid side effects, an analysis must be made to exclude that this negative rule is in conflict with any other positive rejection rule in T2S. If this is not the case, then the rule must be extended with additional parameters to apply it only in selected cases which do not conflict with any other market specific rule, thus adding even further complexity to the definition of Market Specific Validations in T2S.

This process is complex (as the entirety of rules must be looked at) and risky due to the inherent risk for misconfiguration. Moreover, it leads to complex rules in T2S with many parameters which are difficult to manage in case of change as many interdependencies must be considered.

It is therefore crucially required to adjust the functionality for rule based models so that T2S not only allows the Equal operator to be used, but also the Not Equal operator ("<>").

#### Description of requested change:

The T2S functionality for defining rule sets must be extended by enabling, in addition to the current "Equal" operator, also the use of a "Not Equal" operator for selected parameters to be used in rule based models.

The “Not Equal” Operator is required at least for the following parameters<sup>1</sup>:

- ISO Transaction Code
- Instructing Party (BIC11)
- ISIN
- Debited position / balance
- Credited position / balance
- Securities Account Number
- T2S DCA Number
- Country of Issuance
- Settlement Currency
- All MSAs (Security, Party, Account)
- [Business Sending Party\\*](#)
- [Business Sending User\\*](#)

When defining a rule set, it must be possible to independently select the operator values “EQUAL” or “NOT EQUAL” for each of the parameters listed above, i.e. each of the parameters above can have “EQUAL” or “NOT EQUAL” operator, independently from the values that other parameters have.

When T2S validates [settlement](#) instructions/[settlement restrictions](#) versus such rule based models, it must select all [settlement](#) instructions/[settlement restrictions](#) which have

- Equal values in all parameters specified with EQUAL operator, AND
- Not Equal values in all parameters specified with NOT EQUAL operator

and apply the configured actions to the instructions/[restrictions](#) as per the defined parameters of the Restriction Type (Reject/CVAL, positive/negative rule set).

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#### Submitted annexes / related documents

None

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#### Proposed wording for the Change request:

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#### High level description of Impact:

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<sup>1</sup> Those parameters are the ones which can have many parameter values so that a not equal operator would add significant value. The other parameters only have a limited set of possible values. In those cases, the same approach could also be applied, thus leading to a consistent implementation where the same approach is rolled out to all parameters. Alternatively, for the other parameters, only the “equal” operator is possible.

\* [The availability of the parameters for configuration of restriction types will be dependent on the implementation of the Change Request T2S 0571 SYS \(Availability of Business Sending Party/User as additional parameters for the configuration of Case 1 Restriction Types\)](#).

**Outcome/Decisions:**

\*CRG teleconference of 23 November 2015: The CRG decided to put the Change Request on hold and the CRG indicated the Change Request as a potential candidate for Release 2.0.

\* CRG on 17 October 2016: During the written procedure from 10 - 17 October 2016, the CRG recommended to launch the preliminary assessment on the Change Request from 24 October 2016 to 15 November 2016 (batch 2).

\* OMG on 08 November 2016: During a written procedure from 28 October - 08 November 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request.

\* CRG telco on 16 November 2016: The CRG took note of the T2S functionalities/modules impacted by the Change Request following the 4CB preliminary assessment and that there are synergies with the Change Request T2S-0571-SYS (Availability of Business Sending Party/User as additional parameters for the configuration of Case 1 Restriction Types), therefore a joint implementation is favourable.

\* 13 January 2017: The CR was withdrawn by the initiator.

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**Preliminary assessment:**

- **Impacted functionality / module:** U2A, LCMM, SETT, LTSI, SDMG
- **Findings:**
  - Due to expected synergies the joint implementation of CR 569 and CR 571 is recommended.
  - URD references in the CR need to be updated.
  - Working assumption is that SIs as well as SRs are subject to the scope of this CR.
- **Following issues have to be clarified before the start of detailed assessment:**
  - In case the new parameters to be included through CR571 must be considered for CR 569 the CR draft needs to be updated accordingly.
  - Please confirm that SRs should be also subject to this CR and update CR accordingly.
  - The change would make sense in order to reduce the number of rules and to improve efficiency. However, once all CSDs are migrated, the benefit of this CR is only materialized if CSDs and NCBs perform a review of their existing rules and define a migration from the old rules to the new ones.
  - As the restriction types case 1 are supposed to be stable, there is a little gain from this CR if above mentioned review is not performed.
- **To be confirmed:**
  - The Preliminary Assessment was compiled under the assumption that the usage of this new operator is limited to restriction type case 1 for the parameters explicitly listed in the CR and the screen will prevent that customer uses it for other restriction type cases, message subscription and CoSD rules.  
In case this assumption cannot be confirmed assessment will require adaption.

No further functional, technical and risk related issues have been identified beyond the elements already described in the Change Request.