

<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> Banca d'Italia and Deutsche Bundesbank	<b>Institute:</b> Central Bank	<b>Date raised:</b> 27/01/2016
<b>Request title:</b> Inclusion of the DCA in the auto-collateralisation messages i.e. Securities Settlement Transaction Generation Notification (sese.032) and the corresponding Securities Settlement Transaction Confirmation (sese.025)		<b>Request ref. no:</b> T2S 0588 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> Medium	
<b>3. Operational/Technical risk parameter:</b> Low	<b>4. Financial impact parameter:</b> Medium	
<b>Requestor Category:</b> Central Bank	<b>Status:</b> Authorised at steering level	

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

In its current configuration, T2S does not provide sufficient information to Central Banks when relocation of collateral, which is the last exceptional step in the automated reimbursement process at 16:30, is generated and settled by T2S.

In particular, the notifications received by the Central Bank in case of relocation (sese.032 and related sese.025) do not contain information about the involved DCA of the counterparty. Only the SAC account (and related BIC and Parent BIC of the CSD Participant) providing collateral to the Central Bank is referred to in these messages. On the basis of this information, the Central Bank has to promptly derive the involved DCA of the counterparty in order to execute immediately a connected payment on the related RTGS account in T2 to convert the T2S auto-collateralisation credit into a regular intraday credit in T2.

The SAC account, in fact, might belong to a different legal entity than the DCA involved in the relocation. Therefore the BIC of the counterparty (BIC of the CSD Participant) cannot directly be used to derive the relevant counterparty of the Central Bank. The workarounds established to cover this do not allow for a straight-through processing in all scenarios and are therefore generating the risk that a Central Bank cannot convert the credit from a T2S credit into a T2 credit in time due to several manual information request to be executed. This would lead to the risk that monetary policy operations cannot be conducted correctly. In addition minimum reserves cannot be calculated correctly including negative interests.

Additionally, since the ISO20022 messages do not contain the counterparties DCA, the CSD has no possibility to include them in their ICP interface that most CMS have with their CSD.

The required change is necessary due to side effects of CR 429 where it was allowed that the Payment Bank BIC and the CSD Participant BIC can differ on the BIC8 level even when linked via a primary CMB, i.e. allowing the SACs of that CSD Participant to act as collateral providing accounts for T2S auto-collateralisation.

**Description of requested change:**

To solve the issue, the DCA number of the T2S auto-collateralisation receiving Payment Bank should be included in

- sese.032 (SecuritiesSettlementTransactionGenerationNotification) in field CshPties/Cdtr/CshAcct/Prtry or CshPties/Dbtr/CshAcct/Prtry (depending on Debit/Credit Indicator) and
- corresponding sese.025 (SecuritiesSettlementTransactionConfirmation) in field CshPties/Cdtr/CshAcct/Prtry or CshPties/Dbtr/CshAcct/Prtry (depending on Debit/Credit Indicator).

**Submitted annexes / related documents:**

**Proposed wording for the SYS Change request:**

UDFS v2.3 §3.3.8.12.3 The message in business context page 1564

Message usage: Collateral

This message usage relates to T2S generated settlement instructions, sent by T2S, for the purpose of auto-collateralisation.

Specific message requirements

For auto-collateralisation purposes the SecuritiesSettlementTransactionGenerationNotificationV03 should have:

- Links – between the related generated instructions for Pledge and Sub Pledge collateral procedures;
- Trade Details - Matching Status – Matched as instruction is already matched within T2S;
- Priority – all collateral instructions have a normal (0004) priority;
- Security Transaction Type – ISO code identifying the instruction as related to collateral management;
- Partial Settlement Indicator - specifies whether partial settlement is allowed and/or the threshold type;
- Status Accepted - status that corresponds to 'Accepted' the initial state of all generated instructions;
- Counterparty DCA - identifies the dedicated cash account of the counterparty of the collateral instruction
- Counterparty DCA owner – identifies the account owner of the dedicated cash account of the counterparty of the collateral instruction
- Generated Reason Code– specifying that the instruction was generated due to auto collateralisation;
- Supplementary Data – containing the T2S Matching Reference relating to the auto-collateralisation transaction.

Message Item	Data Type/ Code	Utilisation
...		
<u>Proprietary Document/SciesSttlmTxGnrtnNtfctn/CshPties/Dbtr/CshAcct/Prtry</u>	<u>RestrictedFINX2Max34Text</u>	<u>Present for the credit consumer instruction (COLO) of CB collateral operations.</u>
<u>AnyBIC Document/SciesSttlmTxGnrtnNtfctn/CshPties/Dbtr/ Id/AnyBIC</u>	<u>AnyBICIdentifier</u>	<u>Present for the credit consumer instruction (COLO) of CB collateral operations.</u>
<u>Proprietary Document/SciesSttlmTxGnrtnNtfctn/CshPties/Cdtr/CshAcct/Prtry</u>	<u>RestrictedFINX2Max34Text</u>	<u>Present for the credit provider instruction (COLI) of CB collateral operations.</u>
<u>AnyBIC Document/SciesSttlmTxGnrtnNtfctn/CshPties/Cdtr/ Id/AnyBIC</u>	<u>AnyBICIdentifier</u>	<u>Present for the credit provider instruction (COLI) of CB collateral operations.</u>
NoSpecifiedReason Document/SciesSttlmTxGnrtnNtfctn/StsAndRsn/PrcgSts/AckdAccptd/NoSpcfdRsn	NoReasonCode	Code: 'NORE'
RelatedTransactionIdentification Document/SciesSttlmTxGnrtnNtfctn/SplmtryData/Envlp/RltdTxld	SupplementaryData1	T2S Matching Reference of the relating auto-collateralisation transaction

UDFSv2.3 § 3.3.8.12.3 The message in business context, page 1566

Message usage: Hold Reverse Collateral

This message usage relates to T2S generated settlement instructions for the reimbursement of auto-collateralisation. These are generated on hold.

Specific message requirements

For the reversal of auto-collateralisation the SecuritiesSettlementTransactionGenerationNotificationV03 should have:

- Links – between the related generated instructions for Pledge and Sub Pledge collateral procedures;
- Trade Details - Matching Status – Matched as instruction is already matched within T2S;
- Hold Indicator – dependent on collateral operation;
- Priority – all collateral instructions have a normal (0004) priority;
- Security Transaction Type – ISO code identifying the instruction as related to collateral management;
- Partial Settlement Indicator - specifies whether partial settlement is allowed and/or the threshold type;
- Status Accepted - status that corresponds to 'Accepted' the initial state of all generated instructions;

- Status Pending - status that corresponds to 'Pending' with the corresponding reason code;
- Reason code – 'PREA' ISO code specifying that the instruction is pending because it is on hold;
- Counterparty DCA - identifies the dedicated cash account of the counterparty of the collateral instruction
- Counterparty DCA owner – identifies the account owner of the dedicated cash account of the counterparty of the collateral instruction
- Generated Reason Code – specifying that the instruction was generated due a reimbursement of intra-day credit related to auto collateralisation;
- Supplementary Data – containing the T2S Matching Reference relating to the auto-collateralisation transaction

Message Item	Data Type/ Code	Utilisation
...		
<u>Proprietary Document/SciesSttlmTxGnrtnNtfctn/CshPties/Dbtr/CshAcct/Prtry</u>	<u>RestrictedFINX2Max34Text</u>	<u>Present for the credit provider instruction (COLI) of CB collateral operations.</u>
<u>AnyBIC Document/SciesSttlmTxGnrtnNtfctn/CshPties/Dbtr/ld/AnyBIC</u>	<u>AnyBICIdentifier</u>	<u>Present for the credit provider instruction (COLI) of CB collateral operations.</u>
<u>Proprietary Document/SciesSttlmTxGnrtnNtfctn/CshPties/Cdtr/CshAcct/Prtry</u>	<u>RestrictedFINX2Max34Text</u>	<u>Present for the credit consumer instruction (COLO) of CB collateral operations.</u>
<u>AnyBIC Document/SciesSttlmTxGnrtnNtfctn/CshPties/Cdtr/ /ld/AnyBIC</u>	<u>AnyBICIdentifier</u>	<u>Present for the credit consumer instruction (COLO) of CB collateral operations.</u>
NoSpecifiedReason Docu- ment/SciesSttlmTxGnrtnNtfctn/StsA ndRsn/PrcgSts/AckdAccptd/NoSpofd Rsn	NoReasonCode	Code: 'NORE'
RelatedTransactionIdentification Docu- ment/SciesSttlmTxGnrtnNtfctn/Splmt ryData/Envlp/RltdTxld	SupplementaryData1	T2S Matching Reference of the relating auto-collateralisation transaction

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#### High level description of Impact:

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#### Outcome/Decisions:

\* CRG meeting of 8-9 February 2016: The CRG decided to put the Change Request on hold for T2S Release 2.0 potentially.

\* CRG teleconference of 14 April 2016: The CRG decided to put the Change Request on hold for Release 2.0. The CRG requested the expert advice from SGMS on which fields to be used in the sese.025 and sese.032 message to report the DCA of the counterparty.

\* CRG meeting on 6 September 2016: The CRG recommended to launch the preliminary assessment on the Change Request from 26 September 2016 to 17 October 2016 (batch 1).

\* OMG on 05 October 2016: During a written procedure from 14 September 2016 to 06 October 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request.

\* CRG meeting on 26 October 2016: The CR initiator confirmed that the scope of the Change Request will be limited to the central bank auto-collateralisation. 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 Inclusion of the DCA in the auto-collateralisation messages i.e. Securities Settlement Transaction Generation Notification (sese.032) and the corresponding Securities Settlement Transaction Confirmation (sese.025)), therefore a joint implementation is favourable.

- \* CRG meeting on 24 January 2017: The CRG recommended to launch the detailed assessment of the Change Request and asked the 4CB to check the feasibility to deliver the Change Request in the T2S Release 2.0.
  - \* Advisory Group on 02 February 2017: In a written procedure from 26 January 2017 to 02 February 2017, the Advisory Group was in favour of launching the detailed assessment on the Change Request.
  - \* CSD Steering Group on 03 February 2017: In a written procedure from 26 January 2017 to 03 February 2017, the CSD Steering Group was in favour of launching the detailed assessment on the Change Request.
  - \* Operational Mangers Group on 29 May 2017: Following a written procedure from 22 - 29 May 2017, the Operations Managers Group reconfirmed that the Change Request does not have any blocking operational impact.
  - \* CRG meeting on 07 June 2017: The CRG recommended the approval of the Change Request and its inclusion in T2S Release 2.0. The CRG was of the opinion that the Change Request should be classified as 'evolution/enhancement'.
  - \* Operational Mangers Group on 19 June 2017: Following a written procedure from 9 to 19 June 2017, the Operations Managers Group was in favour of adding the Change Request to the T2S Release 2.0.
  - \* PMG on 21 July 2017: During a written procedure from 19 to 21 July 2017, the Project Managers Group was in favour of adding the Change Request to Release 2.0 from a planning perspective based on their endorsement of the Service Transition Plan v.0.7 for Release 2.0.
  - \* Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) on 27 July 2017: Following a written procedure from 21 to 27 July 2017, the AMI-SeCo was in favour of approving the Change Request and its inclusion in T2S Release 2.0
  - \* CSD Steering Group on 28 July 2017: Following a written procedure from 21 to 27 July 2017, the CSG adopted the resolution to approve the Change Request and its inclusion in T2S Release 2.0
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**Preliminary assessment:**

- **Impacted functionality/module:** A2A, LCMM
- **Findings:** Recommendation to be considered together with the CR-0586 due to potential synergies.

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

**EUROSYSTEM ANALYSIS – GENERAL INFORMATION**

<b>Impact On T2S</b>	<b>Static data management</b>		<b>Interface</b>	
		Party data management		Communication
		Securities data management	x	Outbound processing
		T2S Dedicated Cash account data management		Inbound processing
		Securities account data management		
		Rules and parameters data management		
		<b>Settlement</b>		<b>Liquidity management</b>
	x	Standardisation and preparation to settlement		Outbound Information Management
		Night-time Settlement		NCB Business Procedures
		Daytime Recycling and optimisation		Liquidity Operations
		Daytime Validation, provisioning & booking		<b>LCMM</b>
		Auto-collateralisation		Instructions validation
			x	Status management
		<b>Operational services</b>		Instruction matching
		Data Migration		Instructions maintenance
		Scheduling		<b>Statistics, queries reports and archive</b>
		Billing		Report management
		Operational monitoring		Query management
				Statistical information
				Legal archiving
		All modules (Infrastructure request)		
		No modules (infrastructure request)		
	Business operational activities			
	Technical operational activities			

<b>Impact on major documentation</b>		
<b>Document</b>	<b>Chapter</b>	<b>Change</b>
Impacted GFS chapter		
Impacted UDFS chapter	SETT § 3.3.8.12 SecuritiesSettlementTransactionGenerationNotificationV03 (sese.032.001.03)	Update the specific message requirements for the collateral and reverse collateral message usages to include DCA (and account owner) of the counterparty that will be informed for Central Bank auto-collateralisation operations.
Additional deliveries for Message Specification	SecuritiesSettlementTransactionConfirmationV03 (sese.025.001.03)	Update of the attributes "CshPties/Cdtr/CshAcct/Prtry" and "CshPties/Dbtr/CshAcct/Prtry" to include T2S use and T2S mapping for the new Central Bank auto-collateralisation scenario in the Message Documentation.
	SecuritiesSettlementTransactionGenerationNotificationV03 (sese.032.001.03)	Unprune and update of the elements: <ul style="list-style-type: none"> <li>• ..CshPties/Cdtr/CshAcct/Prtry</li> <li>• ..CshPties/Cdtr/Id/AnyBic</li> <li>• ..CshPties/Dbtr/CshAcct/Prtry</li> <li>• ..CshPties/Dbtr/Id/AnyBic</li> </ul> to include the T2S use and T2S mapping for the CB auto-collateralisation operations within the message schema and related documentation.  Update related examples to include the corresponding cash party elements.
UHB		

External training materials			
Other documentations			
Links with other requests			
Links	Reference		Title
<b>OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT</b>			
Summary of functional, development, infrastructure and migration impacts			
<p><b>LCMM</b></p> <p>The current configuration of the system outbound messaging does not foresee the communication of the counterparty's cash information to the interested parties in the sese.025 and sese.032 messages generated during the Central Bank auto-collateralisation process.</p> <p>In order to allow a faster and more efficient management of the collateral relocation process and the necessary credit conversion from T2S to T2, the system shall update the Status Management module by complementing the DCA related information of counterparty (both the DCA and the account owner) upon creation of the sese.025 and sese.032 messages only for Central Bank auto-collateralisation scenarios.</p>			
Summary of project risk			
None			
Security analysis			
No potentially adverse effect was identified during the security assessment.			

19 May 2017



## Cost assessment on Change Requests

<b>T2S-0588-SYS – Inclusion of the DCA in the auto-collateralisation messages i.e. Securities Settlement Transaction Generation Notification (sese.032) and/or the corresponding Securities Settlement Transaction Confirmation (sese.025)</b>			
One-off	Assessment cost*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Project phase costs	147,186.87	Euro
Annual	Operational costs	15,257.91	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).