



EUROPEAN CENTRAL BANK
EUROSYSTEM

T2S CHANGE REQUEST FORM		
General Information (Origin of Request) <input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: VP Securities	Institute: CSD	Date raised: 06/08/2020
Request title: No check of the Minimum Settlement Unit upon revalidation of partially settled instructions and partially settled settlement restrictions		Request No.: T2S 0740 SYS
Request type: Common	Classification: Maintenance	Urgency: Normal
1. Legal/business importance parameter¹: Medium	2. Market implementation efforts parameter²: Low	
3. Operational/Technical risk parameter³: Low	4. Financial impact parameter⁴: Low	
Requestor Category: CSD	Status: Implemented	

Reason for change and expected benefits/business motivation:

In order to take advantage of partial settlement in T2S the Minimum Settlement Unit (MSU) of the settled ISIN applies for the first partial settlement. After the first partial settlement, the settlement instruction can partially settle quantities lower than the MSU during the settlement day with the relevant threshold taking place equal to the settlement unit multiple.

Currently, In case a partially settled instruction has a remaining quantity lower than the MSU at the start-of-day in T2S, the remaining quantity will be automatically cancelled by the system at the start-of-day revalidation or in the revalidation triggered by a change in reference data.

The current revalidation implies that such partially settled instruction is not able to fully settle. The system should ensure that the agreed quantity between the settlement participants is able to settle with the MSU validation only to apply before the first partial settlement occurs in the instruction.

Description of requested change:

After the first partial settlement no automatic cancellation of a remaining quantity lower than the MSU should take place.

In particular, the Partial settlement processing and start-of-day revalidation should ensure that a settlement instruction with a remaining quantity is able to settle regardless of the change in settlement day. Also the revalidation of instructions triggered by a change in reference data should not perform the MSU check for a partially settled instruction.

The revalidation of the MSU should be removed for partially settled instructions as well as for partially settled settlement restrictions.

Submitted annexes / related documents:

¹ Legal/business importance parameter was set to Medium because the CR mitigates the operational procedure as the cancellation as a result of the MSU validation in certain events is difficult to avoid and manage from a user perspective. There is a positive business impact to let the remaining quantity lower than the MSU settle in these certain events as well.

² Market implementation effort parameter was set to Low because no development is required on the user side (testing only)

³ Operational/technical risk parameter was set to Low because quantities already can settle lower than the MSU today and this is only an adjustment of the existing validation.

⁴ Financial impact parameter: Low (< 100kEUR)

Outcome/Decisions:

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- * CRG on 19 January 2021: the CRG agreed to recommend CR-740 for authorisation by the T2S Steering Level following a fast-track approach.
 - * AMI-SeCo on 27 January 2021: the AMI-SeCo agreed to the CRG recommendation to authorise CR-740.
 - * CSG on 27 January 2021: the CSG agreed to authorise CR-740.
 - * NECSG on 27 January 2021: the NECSG agreed to authorise CR-740.
 - * MIB on 11 February 2021: the MIB agreed to authorise CR-740.
 - * PMG on 19 November 2021: the PMG agreed to launch the detailed assessment of CR-740 with a view of scoping in Release 7.0
 - * CRG on 28 February 2022: the CRG agreed to recommend to the PMG the inclusion of CR-740 in the scope of R7.0
 - * PMG on 09 March 2022: the PMG agreed to recommend the inclusion of CR-740 in the scope of R7.0
 - * OMG on 18 March 2022: the OMG identified no operational impact from the inclusion of CR-740 in R7.0
 - * MIB on 29 March 2022: the MIB approved the inclusion of CR-740 in the scope of R7.0, subject to CSG and NECSG resolution.
 - * CSG on 30 March 2022: the CSG approved the inclusion of CR-740 in the scope of R7.0.
 - * NECSG on 30 March 2022: the NECSG approved the inclusion of CR-740 in the scope of R7.0.

Documentation to be updated:**UDFS**

The following **UDFS v.7.0** sections should be modified:

1.6.1.1.3 Validation process

[...]

ISIN Code Check for the Maturity date:

[...]

I Settlement Quantity Validation:

[...]

I In addition the following checks ~~are~~ is done during the revalidation process for Settlement Quantity Validation:

~~– In case of a partially settled Settlement Instruction with a settlement quantity greater than zero or of a partially settled Settlement Restriction on securities, the remaining Settlement Quantity must be equal to or greater than the Minimum Settlement Unit 1 specified in T2S. 201 There are two exceptions for which the Minimum Settlement Unit does not apply for partially settled instructions:~~

~~1. Settlement Instructions or Settlement Restrictions related to “Corporate Actions” 202~~

~~2. Settlement Instructions related to “Market Claims” or “Transformation” 203~~

– In case of a partially settled Settlement Instruction with a settlement quantity greater than zero or of a Settlement Restriction on securities, the remaining Settlement Quantity must be a multiple unit of the Settlement Unit Multiple or a Deviating Settlement Unit. There are two exceptions for which the Settlement Unit Multiple does not apply for partially settled instructions:

1. Settlement Instructions or Settlement Restrictions related to “Corporate Actions” 205

2. Settlement Instructions related to “Market Claims” or “Transformation” 206 {CR-557}

Footnotes:

~~201 In case the partial settlement of a Settlement Instruction took place leaving a pending quantity to be settled lower than the Minimum Settlement Unit, the partially settled Settlement Instruction will be cancelled at revalidation.~~

~~202 Including T2S internally generated instructions created as a consequence of a CORP instruction, i.e. realignment instructions and CoSD generated intra position movements. {CR-557}~~

~~203 Including T2S internally generated instructions created as a consequence of a CLAI or TRAN instruction, i.e. realignment instructions and CoSD generated intra position movements. {CR-557}~~

3.3.7.2.2 The T2S-specific schema

[...]

Business rules applicable to the schema

[...]

MESSAGE ITEM	DATA TYPE/ CODE	BUSINESS RULES
IntraPositionMovementInstructionV04 Document/IntraPosMvmntInstr	IntraPositionMovementInstructionV04	MVIC306 MVSQ609 MVSQ611 MVSR705 MVSR706 MVSR708
CorporateActionEventIdentification Document/IntraPosMvmntInstr/CorpActnEvtId	Identification14	MVSQ607 MVSQ611 MVSQ605 MVSQ609
ISIN Docu-ment/IntraPosMvmntInstr/FinInstrmId/ISIN	ISINOct2015Identifier	MVCV206 MVCV302 MVCV304 MVIC306 MVIC310 MVIC312 MVIC314 MVRR923 MVSQ603 MVSQ605 MVSQ607 MVSQ609 SXAA008

3.3.8.4.2 The T2S-specific schema

[...]

Business rules applicable to the schema

[...]

MESSAGE ITEM	DATA TYPE/ CODE	BUSINESS RULES
Unit Docu-ment/SciesSttlmTxInstr/QtyAndAcctDtls/SttlmQty/Qty/Unit	RestrictedFINDecimalNumber	MVCV286 MVSQ602 MVSQ604 MVSQ606 MVSQ608 MVSQ610 MVSQ612

FaceAmount Document/SctiesSttlmTxInstr/QtyAndAcctDtls/SttlmQty/Qty/FaceAmt	RestrictedFINImpliedCurrencyAndAmount	MVCV286 MVSQ602 MVSQ604 MVSQ606 MVSQ608 MVSQ610 MVSQ612
Document/SctiesSttlmTxInstr/SttlmParams/SctiesTxTp/Cd		MVCP053 MVCP054 MVCP055 MVCP056 MVCP057 MVCP058 MVCP059 MVCP060 MVCP061 MVCP062 MVCP063 MVCP064 MVCP065 MVCP066 MVCP067 MVCP068 MVCP069 MVCP070 MVCP071 MVCP072 MVCP073 MVCP074 MVCP075 MVCP076 MVCP077 MVCP078 MVCP079 MVCP080 MVCP081 MVCP082 MVCP083 MVCP084 MVCP085 MVCP086 MVCP087 MVCP088 MVCP089 MVCP090 MVCP091 MVCP128 MVCP130 MVCP131 MVCP132 MVSQ604 MVSQ606 MVSQ608 MVSQ610

4.1 Index of Business Rules and Error Codes

BR NAME	DESCRIPTION	INBOUND MESSAGE	REPLY MESSAGE	CODE USE	REASON CODE	ERROR TEXT
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[...]						
MVSQ608	In case of a partially settled Settlement Instruction with exchange of securities and not related to a 'Corporate Action', 'Market Claim' or 'Transformation', the remaining Settlement Quantity must be equal to or greater than the Minimum Settlement Unit specified in T2S.	sesc.023	sesc.024	<Canc>	CANS	The remaining Settlement Quantity of the Settlement Instruction is lower than the Minimum Settlement Unit
MVSQ609	In case of a partially settled Settlement Restriction on Securities and not related to a 'Corporate Action', the remaining Settlement Quantity must be equal to or greater than the Minimum Settlement Unit specified in T2S.	semt.013	semt.014	<Canc>	CANS	The remaining Settlement Quantity of the Settlement Restriction is lower than the Minimum Settlement Unit

UHB

2.2.2.19 Settlement Instruction - New Screen

[...]

Field Description

General	
Settlement Quantity*	<p>Enter the quantity stated in the settlement instruction. Required format is: For settlement type = Unit, max. 15 digit(s) incl. decimal point (thereof max. 14 decimal places) For settlement type = Face Amount, max. 15 digit(s) incl. decimal point (thereof max. 5 decimal places) References for error messages [3320]: MCV286 MVSQ602 MVSQ604 MVSQ606 MVSQ608 MVSQ610 MVSQ612 In case there is no exchange of securities the value must be set to zero (i.e. for a PFOD the value needs to be set to '0' value).</p>

Settlement Type*	<p>Select the type of settlement foreseen for the securities from the possible values:</p> <ul style="list-style-type: none"> Units Face Amount <p>References for error messages [3320]:</p> <ul style="list-style-type: none"> MVCV286 MVSQ604 MVSR608 MVSR612 <p>This field is automatically filled in when an ISIN is chosen.</p>
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Buttons

Submit	<p>This function enables you to create a new settlement instruction. Upon clicking on the submit button you will be asked to enter your PIN for digital signature purposes (NRO). With the entry of the PIN, T2S attaches a digital signature to the instruction entered by the T2S actor.</p> <p>Next screen:</p> <ul style="list-style-type: none"> <i>Settlement instructions – search/list</i> screen [198] <p>References for error messages: [3320]</p> <ul style="list-style-type: none"> MVCA105 MVCA501 MVCA502 MVCA503 MVCA505 MVCA506 MVCA507 MVCA509 MVCA510 MVCA511 [...] MVSP208 MVSR602 MVSR604 MVSR606 MVSR608 MVSR610 MVSR612 MVSR701 MVSR702 MVSR703 MVSR704 MVSR707
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6.5.3.187 Settlement Instruction - New Screen

Reference for error message	Field or Button	Error Text	Description
MVSR608	<ul style="list-style-type: none"> Settlement Quantity field Settlement Type field 	<p>The remaining Settlement Quantity of the Settlement Instruction is lower than the Minimum Settlement Unit</p>	<p>In case of a partially settled Settlement Instruction with exchange of securities and not related to a 'Corporate Action',</p>

	Submit button	‘Market Claim’ or ‘Transformation’, the remaining Settlement Quantity must be equal to or greater than the Minimum Settlement Unit specified in T2S.
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Preliminary assessment:

- **Financial impact: Low**
- **Impacted modules: LCMM**

- **Findings:**

T2S won't check the minimum settlement unit in the revalidation (SOD revalidation and revalidations triggered due to a static data update) for partially settled settlement instructions and settlement restrictions on securities. The Settlement Unit Multiple and Deviating Settlement Unit validation checks remains unaltered (i.e. partially settled instructions will be cancelled during the revalidation process if they not fulfilled the Settlement Unit Multiple and the Deviating Settlement Quantity).

The scope of the CR is limited to Settlement Instructions and Settlement Restrictions on securities (the Minimum Settlement Unit validation does not apply to Settlement Restrictions on cash).

- **Open issues:**

n/a

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION		
T2S Specific Components		Common Components
LCMM		
X	Instructions validation	
	Status management	
	Instruction matching	
	Instructions maintenance	
	Penalty Mechanism	
Settlement		
X	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 (as of June 2022 without Static Data Management, Communication for SDMG, Scheduler, Billing)		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		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)
			Data Warehouse (from R6.0)
Information (until June 2022 containing reference data)		CRDM business interface (from R6.0 June 2022)	
	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		
Impacted UDFS chapter	1.6.1.1.3 Validation process	Update to reflect the exceptions in the revalidation process of the minimum settlement unit (MSU) for partially settled settlement instructions and settlement restrictions on securities
	4.1 Index of Business Rules and Error Codes	Business rules are to be removed in the revalidation process for partially settled settlement instructions and settlement restrictions on securities as they are no longer applicable
	3.3.7.2.2 The T2S-specific schema	Business Rule MVSQ609 should be removed from the semt.013 schema

	3.3.8.4.2 The T2S-specific schema	Business Rule MVSQ608 should be removed from the sese.023 schema
Additional deliveries for Message Specification (UDFS, MyStandards, MOP contingency templates)	SecuritiesSettlementTransactionInstructionV09 (sese.023.001.09)	Remove the Business Rule MVSQ608 from the list of T2S-BusinessRules in the annotations of the following fields: Document/SciesStlmTxInstr/StlmParams/SciesTxTp/Cd /Document/SciesStlmTxInstr/QtyAndAcctDtls/StlmQty/Qty/Unit Document/SciesStlmTxInstr/QtyAndAcctDtls/StlmQty/Qty/FaceAmt
	IntraPositionMovementInstructionV04 (semt.013.001.04)	Remove the Business Rule MVSQ609 from the list of T2S-BusinessRules in the annotations of the following fields: Document/IntraPosMvmntInstr Document/IntraPosMvmntInstr/CorpActnEvtld Document/IntraPosMvmntInstr/FinInstrmld/ISIN
UHB	2.2.2.19 Settlement Instruction - New Screen	Business Rule MVSQ608 should be removed
	6.5.3.187 Settlement Instruction - New Screen	Business Rule MVSQ608 should be removed
Impacted GDPR message/ screen fields		No impact
External training materials		
Links with other requests		
Links	Reference	Title
OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT		
Summary of functional, development, infrastructure and migration impacts		
<p>The instruction revalidation process is to be amended in order not to cancel partially settled Settlement Instructions or Settlement Restrictions on securities whose remaining quantity to be settled does not comply with the Minimum Settlement Unit of the security.</p> <p>The skip of the MSU validation during the revalidation will apply to all the partially settled Settlement Instructions and Settlement Restrictions on securities; i.e. no checks will be conducted during the revalidation process, if the remaining quantity complies with the MSU.</p> <p>Partially settled settlement instructions and settlement restrictions on securities have to be identified in order to avoid the revalidation of the Minimum Settlement Unit (MSU) of the pending quantity for those instructions. For that purpose, the following points will be identified:</p> <ul style="list-style-type: none"> - Settlement instructions partially settled by means of their Partially Settled status (i.e.: 'PSET') - Settlement restrictions on securities partially settled by means of their Partially Settled status (i.e.: 'PSET') <p>The following Business rules are to be removed as they no longer apply on the revalidation process for partially settled Settlement Instructions and Settlement Restrictions on securities:</p> <ul style="list-style-type: none"> - MVSQ608 - MVSQ609 <p>Semt.013 and sese.023 messages have to be updated to remove associated Business Rules MVSQ609 and MVSQ608</p> <p>Main Cost Drivers:</p>		

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|---|
| <ul style="list-style-type: none">- Update the revalidation process so the Minimum Settlement Unit is not validated for the remaining quantity to be settled of partially settled Settlement Instructions and Settlement Restrictions on securities.- Update My Standards and UDFS (semt.013 and sese.023) |
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Impact on other TARGET Services and projects

No impact on TARGET2, TIPS, ECMS or T2
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Summary of project risk

No risk identified.

Security analysis

No adverse effect has been identified during security assessment
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15 February 2022

Cost assessment on Change Requests

T2S-740-SYS – No check of the Minimum Settlement Unit upon revalidation of partially settled instructions and partially settled settlement restrictions			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	143,973.43	Euro
Annual	Operational costs		
	- Maintenance costs	13,229.83	Euro
	- Running costs	0.00	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).