

T2S CHANGE REQUEST FORM		
General Information (Origin of Request)		
<input checked="" type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: CSDR Task Force	Institute: CSD	Date raised: 11/05/2023
Request title: Removal of T2S functionality for the identification of penalties related to a CCP		Request No.: T2S 0806 URD
Request type: Common	Classification: Regulatory compliance	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-Medium
Requestor Category: CSDR TF		Status: Authorised at T2S Steering Level

Reason for change and expected benefits/business motivation:

The T2S Penalty Mechanism (CR654) was implemented to facilitate CSDs' compliance to CSDR settlement discipline requirements: it focuses on the daily calculation and reporting of cash penalties for settlement fails, a monthly reporting of the aggregated amounts of cash penalties computed for a given month as well as the operational tools which are necessary for T2S Actors.

As per CSDR requirements, Article 19 of Commission Delegated Regulation (EU) 2018/1229 "Penalty mechanism where the participant is a CCP", CSDs have to provide a facility to help CCPs identifying the penalties in which they are the failing or non-failing party, as CCPs shall perform the collection and redistribution of cash penalties involving their clearing members.

To support this regulatory requirement, the T2S penalty mechanism identifies and flags in the daily, modified, and monthly penalty reports the T2S Parties or the counterparties of the penalty(ies) that are CCPs, as per the user requirement T2S.13.490 "Reporting of cash penalties involving a CCP".

On 19 April 2023, after public market consultation, ESMA introduced an amendment to Article 19 of Commission Delegated Regulation (EU) 2018/1229, which effectively removes the role of CCPs in the collection and distribution of penalties.

While the amendment of Article 19 does not prevent per se to flag CCPs in the penalty reporting, some CSDs rely on this information to derive, in their legacy platform, for which penalties they shall perform the collection and redistribution process. As such, the requirements T2S.13.490, T2S.16.1100 and T2S.16.1110 become unnecessary as there is no need to flag penalties where a CCP is party to the transaction. The revised Article 19 will enter into force on 1st September 2024. Due to time constraints, a workaround⁵ is foreseen in T2S production environment to fulfil the requirement by this deadline.

The purpose of this change request is simply to remove this functionality from the T2S software and database, without the time constraint associated to the entry into force of the regulatory requirement.

Description of requested change:

This change request will ensure that there is a full removal of the functionality (functional change): remove static

¹ The legal/business importance parameter was set to "Medium" because this change aims to remove an unnecessary functionality from T2S and keep the system maintained.

² The market implementation effort parameter was set to "Low" as this change does not imply significant changes for T2S Actors.

³ The operational/technical risk parameter was set to "Low" because it is not expected that this change request will have an operational impact on the T2S Actors.

⁴ Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

⁵ Under the coordination of the OMG, the T2S Operator should perform a Last-Level intervention to empty the "Cash penalties CCP list" in the T2S database on 1st September 2024.

data objects and all T2S software used for the identification of CCPs.

This change envisages the complete decommissioning of the functionality implemented to identify the T2S Parties or the counterparties of the penalty(ies) that are CCPs.

Submitted annexes / related documents:

[COMMISSION DELEGATED REGULATION \(EU\) /... on amending the regulatory technical standards laid down in Delegated Regulation \(EU\) 2018/1229 as regards the penalty mechanism for settlement fails relating to cleared transactions submitted by CCPs for settlement](#)

Outcome/Decisions:

- *CRG on 17 October 2023: the CRG agreed to launch the preliminary assessment of CR-0806.
- *CRG on 5 December 2023: the CRG agreed to recommend CR-0806 for authorisation by the T2S Steering Level, following a fast-track approach.
- * AMI-SeCo on 21 December 2023: the AMI-SeCo agreed with the CRG recommendation of CR-806 for T2S Steering Level authorisation.
- *CSG on 21 December 2023: the CSG agreed to authorise CR-806.
- *NECSG on 21 December 2023: the NECSG agreed to authorise CR-806.
- *MIB on 21 December 2023: the MIB agreed to authorise CR-806.

Documentation to be updated:

URD: As defined in “Description of requested change” section above

13.5.2.7 Reporting of cash penalties involving a CCP

Reporting of cash penalties involving a CCP

Reference ID	T2S.13.490
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For the Daily Cash Penalty List, the Modified List of Penalties, and the monthly reporting of aggregated amounts, T2S shall identify and flag in the report the T2S Parties or the counterparties of the penalty(ies) that are a Central Counterparty (CCP) based on the Cash Penalties CCP List.

16.9.8 Cash Penalties CCP List

Definition

Reference ID	T2S.16.1100
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T2S shall use a list of BIC that defines the CCPs to be identified in the penalty reports. Each item of this list includes the following attributes:

- BIC

Note: The BIC in this list are CCP BIC which are owner of a securities account in a T2S CSD.

Maintaining the Cash Penalties CCP List

Reference ID	T2S.16.1110
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The Cash Penalties CCP List is maintained by the T2S operator.

Note: The content of this list is managed by the T2S Operational Managers Group (OMG) based on bilateral input between CSDs and CCPs.

Summary of the various static data updates that the responsible T2S Actor can perform

Responsible T2S Actor	Class of Information	Attribute	Updatable
CSD (acting as SME)	Securities Subject to Penalties	ISIN	No
		Financial Instrument Type	Yes
		Liquidity	Yes
		Valid From	No
		Valid To	Yes
CSD (acting as SME)	Daily Price	ISIN	No
		Price Date	No
		Currency Code	Yes
		Price	Yes
T2S Operator	SME Growth Markets	MIC Identifier	Yes
T2S Operator	Securities Penalty Rate	Asset Type	No
		Daily Flat Penalty Rate	Yes
		Valid From	No
T2S Operator	Cash Discount Penalty Rate	Currency Code	No
		Daily Flat Penalty Rate	Yes
		Valid From	No
ECB	Euro Exchange Reference Data ⁶	Currency Code	No
		Daily Exchange Rate	Yes
		Exchange Rate Date	No
T2S Operator	Cash Penalties CCP List	BIC	Yes

Preliminary assessment:

- **Financial Impact:** Low-medium
- **Impacted modules:** Penalty Mechanism, CRDM, INTF
- **Impact on other Eurosystem Services or Projects:** No impact on T2, TIPS or ECMS
- **Risk analysis:** No risks have been identified during PA

- **Findings:**

The Penalty Eligibility function needs to be updated in order to remove the functionality in charge of the derivation and saving of the CCP Flag when generating the Applicable Parties of a Penalty.

The Penalty Modification function needs to be updated in order to remove the functionality in charge of the derivation and saving of the CCP Flag when generating the New Applicable Party instances associated to a

⁶ A specific Data Migration Tool (DMT) file will be made available to the ECB as requested in CR718 to support the daily Euro Foreign Exchange Rate data loading process.

Penalty after its modification.

The Preparation for Reporting function needs to be updated in order to remove the reporting of the CCP Flag in the Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts Penalties.

The Specifications for the flat file for reporting of penalties need to be updated in order to remove 'CCPA' from the list of possible values for the fields Party Type and Counterparty Type from the Daily Penalty List, List of Modified Penalties and Monthly Aggregated Amounts Penalties.

The Data Model needs to be updated in order to remove the fields CCP Flag and Ctpty CCP Flag from Applicable Parties and Reporting tables.

On CRDM side it will be needed to delete the attribute domain "Cash Penalties CCP List".

Within the detailed assessment the reduction of maintenance costs will be analysed.

- **Open issues/ questions to be clarified by the originator:**

None

Detailed assessment:
