T2S CHANGE REQUEST FORM

General Information (Origin of Request)
☒ User Requirements (URD) or GUI Business Functionality Document (BFD)
☐ Other User Functional or Technical Documentation (SYS)

Request raised by: Eurosystem	**Institute:** 4CB	**Date raised:** 21/11/2023
Request title: Mandatory Cash Sweep for closed cash accounts with remaining Liquidity at EOD		**Request No.:** T2S-0813-URD
Request type: Common	**Classification:** Scope enhancement	**Urgency:** Normal
1. Legal/business importance parameter[1]: Low	**2. Market implementation efforts parameter[2]:** Low	
3. Operational/Technical risk parameter[3]: Low	**4. Financial impact parameter[4]:** Medium	
Requestor Category: 4CB	**Status:** On-hold	

Reason for change and expected benefits/business motivation:

For liquidity purposes T2S dedicated cash accounts belonging to a Payment Bank or a CB are setup in T2S. Accounts which are no longer required can be closed via a CRDM update. It is possible to close an account for the current or a future business day. If the account is closed for the current business day ('Valid to' = 'Current Business day') it will become closed only when the business day is changed because from the closure time until the end of that current business day, the account will still be active.

At the moment, it is also possible to close accounts with a balance deviating from 0. When the mandatory cash sweep was in place, the balances were reimbursed automatically.

Since the introduction of the optional cash sweep, it is possible to hold liquidity overnight in T2S. Thus, an account can have a balance deviating from 0 on the next business day, even though it was closed on the previous business day.

One consequence is that this leads to a misalignment of the General Ledger file between T2 and T2S, resulting in a blocking condition. Last level intervention is needed to align the General Ledger File.

This change request foresees to automatically empty all closed T2S dedicated cash accounts and send the remaining cash to the responsible CB account for the Payment Bank. For the case of closed T2S CB accounts, the change request foresees to empty the CB account and send the liquidity to the CBs T2-CLM Account.

Description of requested change:

All closed T2S dedicated cash accounts should have a balance of 0 to avoid any remaining balance leading to mismatches in the General Ledger file and a blockage of the Business Day.

Generally, every Central Bank or Payment Bank is first and foremost responsible for emptying their respective accounts upon closure. For the case this cannot be ensured, T2S will implement a mandatory cash transfer for closed accounts for each currency.
This means that T2S will automatically check with a new event after the Liquidity Transfer cut-off all closed T2S dedicated cash accounts and Central Bank accounts for remaining balances at the end of day. In case the balance deviates from 0, it will automatically be balanced. To ensure no accounts are closed after the checks, leading to remaining liquidity, it will also no longer be possible to close an account on the same business day when the End of Real Time Settlement procedures for that business day have started.

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[1] Legal/business importance parameter was set to 'Low' since the business case that will be addressed is not usual and therefore this functionality is considered a 'nice to have'.
[2] Market implementation effort parameter was set to 'Low' since this change will not require a long implementation time or significant resources on the side of Participating CSDs, CBs and their communities in order for them to be able to take full benefit of the change.
[3] Operational/technical risk parameter was set to 'Low' since this change is expected not to threaten the Service Level for Participating CSDs or CBs or to have no or insignificant operational impact on the Participating CSDs, CBs or 4CB.
[4] Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

For Payment Banks, the balance will be reimbursed to the respective Central Bank account. In this case, the receiving CB will be informed about this T2S liquidity transfer. In the context of the implementation of CR-0828 *'T2S should no longer release cash restrictions related to COSD blocking at real-time closure'*, that it is expected to take place before CR-0813, it will be possible that a Payment Bank DCA is closed with remaining liquidity under 'CoSD Blocking' sub-balance, which should not be automatically released, as foreseen by CR-0828. If this scenario materialises, CR-0813 should implement the mandatory cash sweep moving the liquidity under 'CoSD Blocking' within the Payment Bank account to another sub-balance 'CoSD Blocking' within the NCB DCA. Then the NCB should align with the COSD Administering Party prior to unblocking on the next steps.

In case a Central Bank account on T2S side is to be closed, the remaining liquidity will be transferred to the respective accounts on T2 side. If a negative balance is detected, T2S will use the Liquidity Pull Request described in T2S *CR 720 'Optional inbound liquidity transfer in case of negative NCB account balance at liquidity cut-off'*. If a Payment Bank Dedicated Cash Account and a Central Bank Cash Account are to be closed on the same day, the accounts of Payment Banks will be emptied first, then the accounts of Central Banks.

Submitted annexes / related documents:

Outcome/Decisions:

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*CRG on 3 April 2024: the CRG agreed to launch the preliminary assessment of CR-813.
*CRG on 18 July 2024: the CRG agreed to recommend CR-0813 for authorisation by the T2S Steering Level.
*AMI-SeCo on 30 July 2024: the AMI-SeCo agreed with the CRG recommendation of CR-0813 for T2S Steering Level Authorisation.
*CSG on 30 July 2024: the CSG agreed to authorise CR-0813.
*NECSG on 30 July 2024: the NECSG agreed to authorise CR-0813.
*MIB on 31 July 2024: the MIB agreed to authorise CR-0813.
*PMG on 28 August 2024: the PMG agreed to launch the detailed assessment of CR-0813 with a view of scoping in Release 2027.JUN.
*PMG on 10 December 2024: the PMG agreed to put CR-0813 on hold, as the DA had not yet been initiated and there are other, more urgent CRs requiring detailed assessment.
*CRG on 1 July 2025: the CRG approved the updated version of CR-0813 that covered the impact of CR-0828 on the potential scenario that CoSD blocked balances could be part of the closed DCA with remaining liquidity.

Documentation to be updated:

Preliminary assessment:

Preliminary assessment:

- • **Financial Impact:** Medium
- • **Impacted modules:** LQMG, SETT
- • **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 CR will be implemented by using a new Cash Sweep for each currency which will consist of two separate (new) events analogues to the optional Cash sweep.

  One new event to determine and prepare the respective LTs [Name to be defined in DA] and the already existing event CLTS.

- • The CR cannot cover all situations in T2S and two scenarios were identified where a closed Cash account still has an unbalanced balance that cannot be automatically processed. Although the scenarios can be classified as unlikely, it should be mentioned in case these gaps must be closed:

  1.   Scenario (unlikely)

  It is possible to close a Cash account without any limitation during the entire business day.

  In case a Cash account is closed after the new implemented Cash Sweep for instance during the End of Day period, at the moment, it is not possible for T2S to detect this situation nor to do any mitigating measures as for example to repeat the new implemented Cash Sweep.

  2.   Scenario, only possible for NCB accounts (very unlikely)

  In case a cash account is closed and has a negative balance, the new Cash Sweep sends a Push liquidity transfer request to T2 in order to get the liquidity to balance the account. It might happen that due to any reason the corresponding Liquidity Transfer of T2 is not received in due time by T2S. In this particular case, T2S continues because no posting happened and the account remains unbalanced.

  Both scenarios will be detected by Settlement, which performs a check to detect unbalanced closed cash account during the Start of Day period of the next business day. Upon receiving the respective alarm, the T2S Operator is able to perform the manual procedure described in the MOP to correct the account.

  The preliminary assessment does not consider these two scenarios.

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

Detailed assessment: