



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: 4CB/Clearstream | Institute: 4CB/CSD | Date raised: 05/07/2024 |
| Request title: T2S should streamline business validations for intended settlement date in the past | | Request No.: T2S 0835 SYS |
| Request type: Common | Classification: Scope Enhancement | Urgency: Normal |
| 1. Legal/business importance parameter: Medium ¹ | 2. Market implementation efforts parameter: Low ² | |
| 3. Operational/Technical risk parameter: Low ³ | 4. Financial impact parameter: (provided by 4CB) ⁴ Medium | |
| Requestor Category: CSD | | Status: Authorised by the T2S Steering Level |

Reason for change and expected benefits/business motivation:

With T2S Strategic Evolution analysis, various proposals were identified that enhance, streamline, and optimize T2S processing logic, including **item 1.7 “Reduction of business validations”**:

- Currently, for instructions with Intended Settlement Date (ISD) in the past, T2S validates against the reference data stored in T2S, both at the ISD and at the Current Business Day (CBD).
- However, from a business perspective these two validations may be largely redundant. If an instruction is failing, i.e., ISD is in the past, then reference data applicable at Current Business Day will be used for the settlement processing. There is no need to validate past dated setup again.
- Moreover, the validation for reference data at ISD in the past might lead to unnecessary cancellations of pending and failing instructions, e.g., when a default DCA is changed or when other configuration changes are applied.

The CRG confirmed that validations for reference data values applicable on ISD in the past are indeed redundant and shall therefore be dropped since they do not add business/legal value.

This will reduce processing time and CPU usage on T2S, especially during EoD and SoD phases where a significant number of instructions enter the system and where recycling of pending instructions is performed.

This will also lead to less cancellations for pending and failing instructions in case of reference data changes, e.g., change of default DCA, thus streamlining the handling of such cases on CSD and CSD participant side.

Description of requested change:

T2S validations shall be adjusted as follows:

- Current validation with logic “something must be validated *on the Intended Settlement Date* **and additionally** *on the current Business Day if the Intended Settlement Date is in the past.*”
- To be replaced by adjusted validation with logic “something must be validated *on the Intended Settlement Date* **or** *on the current Business Day if the Intended Settlement Date is in the past.*”

This will change the logic so that the validation will apply a check **either** on the Intended Settlement Date **or** on the Current Business Day, depending on which date is the later one:

- IF Intended Settlement Date => Current Business Day, THEN the validation shall be applied vs. the static data applicable on Intended Settlement Date,
- IF Intended Settlement Date < Current Business Day, THEN the validation shall be applied vs. the static data applicable on Current Business Day (and the historical static data at Intended Settlement Date in the

¹ Legal/business importance parameter was set to “MEDIUM” as this change will simplify validation logic on T2S.

² Market implementation effort parameter was set to “LOW” as the change does not require software changes by the T2S Actors.

³ Operational/technical risk parameter was set to “LOW” as the change does not introduce new features or processes. Instead, it streamlines existing validation processes.

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

T2S

Change Request: T2S 0835 SYS

past are no longer considered in the validation).

This change will not affect the validation logic for instructions up to their Intended Settlement Date. However, it will simplify the validation logic for instructions with Intended Settlement Date in the past, in the following scenarios:

- Revalidation of failing instructions with ISD in the past.
- Initial validation of newly entered instructions with ISD in the past.

In details, the following validations shall be adjusted:

A) Validations for T2S DCA

T2S validates whether:

- The DCA is open.
- The DCA is associated to the SAC, i.e., whether a SAC-DCA link exists.
- There is a default DCA if no DCA is provided in the instruction.
- The Creditor/Debtor party, if provided, is the owner of the DCA.

Those validations shall be kept, but in case ISD is in the past, they shall only be applied on current business day. Related rules to be adjusted as follows:

| Short Name of BR | Description | Incoming Message |
|------------------|--|------------------|
| MVCA505 | The Credited T2S Dedicated Cash Account in an unmatched Settlement Instruction crediting cash must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA506 | The Debited T2S Dedicated Cash Account in an unmatched Settlement Instruction debiting cash must be open on the ISD or and additionally on the current Business Day if the ISD is in the past. | sese.023 |
| MVCA507 | The Credited T2S Dedicated Cash Account and/or Debited T2S Dedicated Cash Account in an already matched Settlement Instruction against payment must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA508 | The T2S Dedicated Cash Account specified in a Settlement Restriction on cash must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | camt.066 |
| MVCA509 | The Credited T2S Dedicated Cash Account specified in an unmatched Settlement Instruction crediting cash must be associated in T2S with the Securities Account stated in the instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA510 | The Debited T2S Dedicated Cash Account specified in an unmatched Settlement Instruction debiting cash must be associated in T2S with the corresponding Securities Account stated in the instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA511 | The Credited T2S Dedicated Cash Account and/or Debited T2S Dedicated Cash Account specified in an already matched Settlement Instruction against payment must be associated with the corresponding Securities Account stated in the instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA514 | If the Credited T2S Dedicated Cash Account is not specified in an unmatched Settlement Instruction crediting cash, there has to be in T2S a default Cash Account for the Currency of the cash leg of the Instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA515 | If the Debited T2S Dedicated Cash Account is not specified in an unmatched Settlement Instruction debiting cash, there has to be a default Cash Account for the Currency of the cash leg specified in the Instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA516 | If the Credited T2S Dedicated Cash Account and/or Debited T2S Dedicated Cash Account is/are not specified in an already matched Settlement Instruction against payment, there has to be in T2S a default Cash Account associated with the Currency of the cash leg of the Settlement Instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA517 | The Debtor Party BIC stated in a Settlement Instruction that debits cash must be the Party BIC of the owner of the debited T2S Dedicated Cash Account on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCA518 | The Creditor Party BIC stated in a Settlement Instruction that credits cash must be the Party BIC of the owner of the credited T2S Dedicated Cash Account on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |

T2S

Change Request: T2S 0835 SYS

B) Validations for T2S Parties and SACs

T2S validates whether:

- The Instructing Party is open.
- The Delivering/Receiving CSD is open.
- The Delivering/Receiving Party 1 is open (for internal parties)
- The Account Owner derived from the SAC is open (for semt.013 only, for sese.023 confirmed via validation of Delivering/Receiving Party which must be identical to account owner)
- The T2S SAC is open, as well as the counterparty SAC in already matched instructions.
- The BIC of the Instructing Party is valid.
- The BIC of the Delivering/Receiving CSD is valid.
- The BIC of the Delivering/Receiving Party 1 is valid.
- The BIC of the Client of the Delivering/Receiving Party 1 is valid.

Those validations shall be kept, but in case ISD is in the past, they shall only be applied on current business day. Related rules to be adjusted as follows:

| Short Name of BR | Description | Incoming Message |
|------------------|---|------------------|
| MVCV106 | The Instructing Party specified in a Settlement Instruction must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV110 | The Instructing Party specified in a Settlement Restriction must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | semt.013 |
| MVCV120 | If the Delivering Depository specified in a Settlement Instruction is an external CSD, the T2S Delivering Party BIC indicated must be valid in T2S BIC Directory on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past in T2S. | sese.023 |
| MVCV121 | The Client of Delivering CSD participant BIC specified in the Settlement Instruction must be valid in T2S BIC Directory on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past in T2S. | sese.023 |
| MVCV122 | If the Receiving Depository specified in a Settlement Instruction is an external CSD, the T2S Receiving Party BIC indicated must be valid in T2S BIC Directory on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past in T2S. | sese.023 |
| MVCV123 | The Client of Receiving CSD participant BIC specified in the Settlement Instruction must be valid in T2S BIC Directory on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past in T2S. | sese.023 |
| MVCV124 | The Account Owner derived from the Securities Account of a Settlement Restriction on Securities must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | semt.013 |
| MVCV229 | The Instructing Party BIC and Parent BIC indicated in a Settlement Instruction must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV230 | The Instructing Party BIC or Parent BIC indicated in a Settlement Restriction must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | semt.013 |
| MVCV234 | The Delivering Depository in a Settlement Instruction must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV235 | The Delivering Depository BIC in a Settlement Instruction must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |

T2S

Change Request: T2S 0835 SYS

| Short Name of BR | Description | Incoming Message |
|------------------|---|------------------|
| MVCV241 | If the Delivering Depository in a Settlement Instruction is an internal CSD, the T2S Delivering Party must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV242 | If the Delivering Depository in a Settlement Instruction is an internal CSD, the T2S Delivering Party BIC must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV245 | The Receiving Depository in a Settlement Instruction must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV246 | The Receiving Depository BIC in a Settlement Instruction must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV251 | If the Receiving Depository in a Settlement Instruction is an internal CSD, the T2S Receiving Party must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV252 | If the Receiving Depository in a Settlement Instruction is an internal CSD, the T2S Receiving Party BIC must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV273 | If the Delivering depository is an internal CSD the delivering Securities Account specified in a Settlement Instruction must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV274 | If the Receiving depository is an internal CSD the receiving Securities Account specified in a Settlement Instruction must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV275 | In case of an already matched Settlement Instruction, when the Depository of the counterparty is in T2S, the relevant Securities Account must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV284 | The Securities Account specified in a Settlement Restriction on securities must be open on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | semt.013 |

C) Validations for ISINs

T2S validates whether:

- The ISIN must be valid
- The ISIN must be active
- The Security CSD Link for the ISIN must be valid
- The Eligible Counterparty CSD Link for the ISIN must be valid

Those validations shall be kept, but in case ISD is in the past, they shall only be applied on current business day. Related rules to be adjusted as follows:

| Short Name of BR | Description | Incoming Message |
|------------------|---|------------------|
| MVCV301 | The ISIN code indicated in a Settlement Instruction must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV302 | The ISIN code indicated in a Settlement Restriction on securities must be valid on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | semt.013 |

T2S

Change Request: T2S 0835 SYS

| Short Name of BR | Description | Incoming Message |
|------------------|--|------------------|
| MVCV303 | The ISIN Code indicated in a Settlement Instruction must be active on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVCV304 | The ISIN Code indicated in a Settlement Restriction must be active on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | semt.013 |
| MVIC305 | The ISIN Code of a delivering Settlement Instruction must be eligible for settlement in the delivering CSD on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC306 | The ISIN Code of a Settlement Restriction on securities must be eligible for settlement in the corresponding CSD on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | semt.013 |
| MVIC307 | The CSD of the T2S Party of a Settlement Instruction must allow settlement with the CSD of the counterpart for the ISIN Code (either per security or per issuer CSD or per issue country) on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC308 | The CSD of the counterpart of a Settlement Instruction must allow settlement with the CSD of the T2S Party for the ISIN Code (either per security or per issuer CSD or per issue country) on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC315 | The ISIN Code of a receiving Settlement Instruction must be eligible for settlement in the receiving CSD on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC316 | The ISIN Code of an already matched Settlement Instruction must be eligible for settlement in the delivering and receiving CSD on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC317 | <u>If the delivering securities account in a delivering settlement instruction is an issuance account, then it must be eligible for settlement in the CSD of the delivering securities account, who must also be the Issuer CSD for the ISIN code on the Intended Settlement Date</u> or on the current Business Day if the Intended Settlement Date is in the past. The delivering Issuance Account in a delivering Settlement Instruction must be eligible for settlement in the CSD of the delivering Issuance Account, which must also be the issuer CSD for the ISIN Code specified in the instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC318 | <u>If the receiving securities account in a receiving settlement instruction is an issuance account, then it must be eligible for settlement in the CSD of the receiving securities account who must also be the Issuer CSD for the ISIN code on the Intended Settlement Date</u> or on the current Business Day if the Intended Settlement Date is in the past. The delivering receiving Issuance Account in a delivering receiving Settlement Instruction must be eligible for settlement in the CSD of the delivering receiving Issuance Account, which must also be the issuer CSD for the ISIN Code specified in the instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC319 | <u>If the delivering securities account in an already matched settlement instruction is an issuance account, then it must be eligible for settlement in the CSD of the delivering securities account who must also be the Issuer CSD for the ISIN code on the Intended Settlement Date</u> or on the current Business Day if the Intended Settlement Date is in the past. The delivering Issuance Account in an already matched Settlement Instruction must be eligible for settlement in the CSD of the delivering Issuance Account, which must also be the issuer CSD for the ISIN Code specified in the instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |
| MVIC320 | <u>If the receiving securities account in an already matched settlement instruction is an issuance account, then it must be eligible for settlement in the CSD of the receiving securities account who must also be the Issuer CSD for the ISIN code on the Intended Settlement Date</u> or on the current Business Day if the Intended Settlement Date is in the past. The receiving Issuance Account in an already matched Settlement Instruction must be eligible for settlement in the CSD of the receiving Issuance Account, which must also be the issuer CSD for the ISIN Code specified in the instruction on the Intended Settlement Date or and additionally on the current Business Day if the Intended Settlement Date is in the past. | sese.023 |

T2S

Change Request: T2S 0835 SYS

D) Validations for case 3 restrictions

T2S validates whether:

- Restriction type must be valid

Those validations shall be kept, but in case ISD is in the past, they shall only be applied on current business day. Related rules to be adjusted as follows:

| Short Name of BR | Description | Incoming Message |
|------------------|---|------------------|
| MVRR903 | The Restriction Type specified in the Balance From in a Settlement Restriction on cash must be valid on the Intended Settlement Date or and additionally on the current Business Date if the Intended Settlement Date is in the past. | camt.066 |
| MVRR904 | The Restriction Type specified in the Balance From in a Settlement Restriction on securities must be valid on the Intended Settlement Date or and additionally on the current Business Date if the Intended Settlement Date is in the past. | semt.013 |
| MVRR957 | The Restriction Type specified in the Cash Sub Balance Type in a Settlement Instruction must be valid on the Intended Settlement Date or on the current Business Date if the Intended Settlement Date is in the past. | sese.023 |
| MVRR960 | The Restriction Type specified in the Delivering Securities Sub Balance Type in a Settlement Instruction must be valid on the Intended Settlement Date or and additionally on the current Business Date if the Intended Settlement Date is in the past. | sese.023 |
| MVRR972 | The Restriction Type specified in the Receiving Securities Sub Balance Type in a Settlement Instruction must be valid on the Intended Settlement Date or and additionally on the current Business Date if the Intended Settlement Date is in the past. | sese.023 |
| MVRR989 | The Restriction Type specified in the Balance To in a Settlement Restriction on cash must be valid on the Intended Settlement Date or and additionally on the current Business Date if the Intended Settlement Date is in the past. | camt.066 |
| MVRR991 | The Restriction Type specified in the Balance To in a Settlement Restriction on securities must be valid on the Intended Settlement Date or and additionally on the current Business Date if the Intended Settlement Date is in the past. | semt.013 |

Submitted annexes / related documents:

Outcome/Decisions:

- *CRG on 16 October 2024: the CRG agreed to launch the preliminary assessment of CR-0835.
- *CRG on 20 March 2025: the CRG agreed to recommend CR-0835 for authorisation by the T2S Steering Level.
- *AMI-SeCo on 2 April 2025: the AMI-SeCo agreed with the CRG recommendation of CR-835 for T2S Steering Level authorisation.
- *CSG on 3 April 2025: the CSG agreed to authorise CR-835.
- *NECSG on 3 April 2025: the NECSG agreed to authorise CR-835.
- *MIB on 15 April 2025: the MIB agreed to authorise CR-835.

Documentation to be updated:

Preliminary assessment:

- **Financial Impact:** Medium
- **Impacted Modules:** LCMM
- **Impact on recovery process:** no

T2S**Change Request: T2S 0835 SYS**

- **Impact on other Eurosystem Services (T2, TIPS) or projects (ECMS):** no
- **Risks:** no

- **Findings:**
 - The Instruction Validation module needs to be adjusted in order to validate Settlement Instructions and Settlement Restrictions against either the static data applicable on the Intended Settlement Date, or the static data applicable on the Current Business Day if the Intended Settlement Date is in the past.

 - The validation logic of the following sub-functions needs to be adapted:
 - Consistency Validation sub-function
 - T2S Dedicated Cash Account Validation
 - ISIN Code Validation
 - Reference to Settlement Restriction Validation

 - The same logic will be applied for revalidation of Settlement Instructions and Settlement Restrictions.

 - Execute an extensive testing campaign over the full length of the LCMM Instructions Validation module; focusing on the validations/revalidations that LCMM carries out for the data objects impacted by the CR depending on the scenario where those validations are performed (validating against the Intended Settlement Date or Current Business date).

 - Non-regression campaign related to the Business Rules adjusted by the CR has to be prepared and executed.

- Open issues/ questions to be clarified by the originator:
 - none

Detailed assessment:
