



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: Clearstream	Institute: CSD	Date raised: 17/02/2021
Request title: If an instruction is cancelled, then T2S should no longer consider it to be part of a Pool		Request No.: T2S 0756 SYS
Request type: Common	Classification: Maintenance	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: Medium	
Requestor Category: CSD	Status: Implemented	

Reason for change and expected benefits/business motivation:

Using an Instruction Pool is an efficient functionality to handle situations where a large number of instructions must settle in parallel, e.g. when applying corporate actions on stock.

However, once an instruction has been instructed with a given Pool Reference, it is no longer possible to remove it from the pool. Namely, even if the instruction is cancelled, it is still considered in the total number of instructions identified by T2S as belonging to that pool, which is used to verify whether the pool is complete, i.e. whether the Total Number of Instructions identified by T2S as belonging to that pool is equal to the Pool counter defined for this pool.

The only option to remove an instruction from a given pool is to cancel the entire set of instructions in the pool, and to re-instruct the entire set.

This logic should be adjusted so that the T2S-internal Number of instructions identified by T2S as belonging to a given pool is updated whenever an instruction in the pool is cancelled. Then it will be possible to remove a given instruction from a pool by cancelling it, and to replace such an instruction by re-instructing a corrected one, but without affecting the other instructions in the pool.

Description of requested change:

T2S logic to identify the number of settlement instructions / settlement restrictions belonging to a given Pool Reference should be adjusted as follows:

- When identifying settlement instructions / settlement restrictions belonging to a given Pool Reference, T2S considers Settlement Instructions / Settlement Restrictions that are:
 - Accepted and
 - Not Cancelled

In other words, an instruction/restriction that is rejected by T2S does not contribute to the number of instructions identified by T2S as belonging to a given Pool, and an instruction/restriction that is cancelled (by T2S or by a T2S Actor) does no longer contribute to the number of instructions identified by T2S as belonging to a given Pool.

If this logic is applied, cancelling an instruction will also remove it from a Pool, and allow it to be replaced in that same pool by another newly submitted instruction.

Note on T2S status reporting in case an instruction is removed from a pool:

- In case a pool is complete (from a Settlement point of view, meaning that all instructions in the pool are present in T2S and matched), and an instruction is removed from the pool via cancellation, then the pool is no longer complete. In such cases, T2S should inform the corresponding T2S Actors via sese.024

¹ Parameter was set to "MEDIUM" as the change increases the usability of the system.

² Parameter was set to "LOW" as the change is optional for T2S Actors, i.e. they can also decide to stick to the current way for handling of Pools with cancelled instructions.

³ Parameter was set to "LOW" as the change does not affect any SLA.

- pending/failing INBC on all instructions that are still in the pool (as a settlement eligibility failure).
- In case a pool is not yet complete, and an instruction is removed from the pool via cancellation, then this shall not trigger any status reporting on the other legs in the pool (as per the existing T2S reporting rules, as there is no change in status, reason code or applicable business rule for these instructions).

Submitted annexes / related documents:

Outcome/Decisions:

- *CRG on 24 March 2021: the CRG agreed to launch the preliminary assessment of CR-756
- * CRG on 07 July 2021: the CRG agreed to recommend CR-756 for authorization by the T2S Steering Level
- * AMI-SeCo on 15 July 2021: the AMI-SeCo agreed with the CRG recommendation of CR-756 for T2S Steering Level authorisation
- *CSG on 15 July 2021: the CSG agreed to authorise CR-756
- *NECSG on 15 July 2021: the NECSG agreed to authorise CR-756
- *MIB on 11 August 2021: the MIB agreed to authorise CR-756
- *PMG on 17 November 2021: the PMG agreed to launch the detailed assessment of CR-756 with a view of scoping in Release 7.0
- *CRG on 7 June 2022: the CRG agreed to recommend to the PMG the inclusion of CR-756 in the scope of R2023.NOV
- *OMG on 1 June 2022: the OMG identified no operational impact from the inclusion of CR-756 in R2023.NOV.
- *PMG on 17 June 2022: the PMG agreed to recommend the inclusion of CR-756 in the scope of R2023.NOV
- *CSG on 23 June 2022 the CSG approved the inclusion of CR-756 in the scope of R.2023.NOV.
- *NECSG on 23 June 2022: the NECSG approved the inclusion of CR-756 in the scope of R.2023.NOV.
- *MIB on 30 June 2022: the MIB approved the inclusion of CR-756 in the scope of R2023.NOV.

Documentation to be updated:

UDFS:

The following **UDFS v6.2.** sections should be modified:

Section 1.6.1.11.3 Link specified by T2S Actor

[...]

I T2S Actors can also link Settlement Instructions or Settlement Restrictions with a Pool Reference which is a collective reference to identify a set of Settlement Instructions and/or Settlement Restrictions which are to be settled together all-or-none. With the use of a Pool Reference, T2S Actor:

– Assigns the same collective reference to all the Settlement Instructions or Settlement Restrictions even if they belong to different parties providing compliance with privileges check (see mention to Privileges Check in section Business Validation [□□304]). Once a Pool Reference is included in the instruction, T2S Actor can set the processing code to [WITH] or leave it blank. Adding an instruction to a pool is only possible by using the processing position code WITH or blank, together with the combination of the Pool Reference and the Reference Owner BIC of the pool creator;

– Should also include a Pool Counter, which details the total number of linked instructions within a pool. T2S rejects an instruction identified with a Pool Reference if this instruction exceeds the Pool Counter for the Pool Reference specified;

– Cannot send an Amendment Instruction to include/update a Pool Reference or Pool Counter. In case the T2S Actor wants to include or update a Pool Reference or Pool Counter it should send a Cancellation Instruction and reinstruct sending a new Settlement Instruction/Settlement Restriction with the Pool Reference and the counter updated.

– Cannot send an Amendment Instruction to remove or replace an instruction of the Pool. In case the T2S Actor wants to remove or replace an instruction of a pool it should send a Cancellation Instruction and reinstruct sending a new Settlement Instruction/Settlement Restriction with the Pool Reference and Pool Counter. The instruction cancelled is not considered as belonging to the pool anymore and a new settlement instruction/settlement restriction can replace the cancelled instruction to consider the pool as complete. Neither the Pool Reference nor the Pool Counter are updated in this scenario.

[...]

Preliminary assessment:

- **Impact: Medium**
- **Impacted modules: LCMM, SETT**
- **Impact on other Eurosystem Services or Projects: None**
- **Findings:**

The validation process for settlement instructions and restrictions needs to be updated to accept instructions belonging to a pool where only instructions with the same Pool Identification (i.e. Pool Reference) and not cancelled (i.e. status NCAN) are taken into account by the counter of the Pool Instruction Counter.

The Pool Instruction Counter is not modified when an instruction is cancelled. That means that if an instruction belonging to a pool is cancelled, the pool is uncompleted until a new instruction is instructed to replace the cancelled one.

Following further changes are necessary:

- Adaption of the processing rules in order to manage the counters during the link set creation and updates processes in case of pools.
 - Adaption of the reporting rules in case of cancellation of settlement instruction(s) belonging to a pool.
- **Open issues/ questions to be clarified by the originator:**
- Could you please clarify how should the process work in case of presence in the pool of settlement instructions linked "WITH" to other instructions not included in the current pool?

The open issue has been clarified. Please refer to the CRG outcome (07.07.2021 meeting) for the following indication by CBF on how to proceed in such cases:

=> *The CR initiator indicated that, should a previously complete pool become incomplete after the cancellation of an instruction in that pool, then an instruction linked WITH to the now incomplete pool should receive a status update with the reason LINK for the Pending/Failing status.*

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION	
T2S Specific Components	Common Components
LCMM	
X	Instructions validation
X	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)	Eurosystem Single Market Infrastructure Gateway

<i>Management, Communication for SDMG, Scheduler, Billing)</i>		(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	1.6.1.11.3 Link specified by T2S Actor	The new behaviour related to the replacing of instructions belonging to a pool needs to be explained.
Additional deliveries for Message Specification (UDFS, MyStandards, MOP contingency templates)		
UHB		
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 impacts of this change request on T2S are the following:</p> <p>- Instruction validation</p> <p>The validation module needs to be updated to allow the replacement of instructions of a pool when an instruction belonging to a pool is canceled avoiding the need of cancelling the entire set of instructions in the pool, and re-instructing the entire set.</p> <p>The Link Instruction Counter that counts at validation level the number of instructions in the system that belongs to a specific pool needs to be modified to discard the instructions associated to this pool reference that are canceled. This implies that when a new instruction enters in T2S indicating a pool reference, the counter will take into account only instructions associated to this pool reference that are not cancelled to verify if the pool is complete or not.</p> <p>The pool instruction counter and the pool reference is not updated, meaning that if the pool was created with a total number of instructions (e.g. 10 instructions), the pool is considered as complete when 10 not cancelled instructions are in the system with the same pool reference (even if some of these instructions are not matched and the pool cannot settle).</p> <p>The instruction cancelled can be replaced either by a settlement instruction or by a settlement restriction.</p> <p>- Instruction cancellation</p> <p>The cancellation process will check any time an instruction is to be cancelled if this instruction belongs to a pool in order to drop it from the Link Instruction Counter. The counter is updated regardless of whether the instruction is cancelled by the user or by the system.</p> <p>As a result of the cancellation of an instruction that belongs to a pool, the following scenarios can occur:</p> <ul style="list-style-type: none"> ▪ If the pool was not yet complete, the cancellation of the instruction will not trigger any communication to the rest of the instructions of the pool. ▪ If the pool was complete, the cancellation of an unmatched settlement instruction will not trigger any communication to the other instructions of the pool to inform that the pool is no longer complete. ▪ If the pool was complete, the cancellation of either a settlement restriction or a matched settlement instruction whose ISD is reached, a sese.024 message with the relevant BR is triggered to inform all other instructions of the pool that the pool is no longer complete: <p style="padding-left: 40px;">This status update is triggered right after the cancellation of the relevant instruction.</p> <ul style="list-style-type: none"> ▪ If the pool was complete, the cancellation of either a settlement restriction or a matched settlement instruction whose ISD is in the future will not trigger any communication to the other instructions of the pool until the ISD is reached. <p>- Daytime Collection Generator</p> <p>Upon the creation or revalidation of a settlement transaction belonging to a pool, the Completion Check sub-function shall update the status of the pool to COMPLETE when the number of settlement transactions created or revalidated with the same pool reference reaches the Pool Instruction Counter.</p> <p>In the context of the Start of Day revalidation when T2S automatically cancels the pending settlement instructions that reach the maximum business days or the ones that do not comply anymore with the static data updates, the status of the pool will be changed from COMPLETE to INCOMPLETE.</p> <p>Whenever the status of a pool moves from COMPLETE to INCOMPLETE due to a cancel by system (during the revalidation process) or upon the cancellation requested by a T2S Actor of a settlement transaction belonging to the pool, the reason codes "E-SETT-SPS-STM-0016" (Settlement Instruction is unsettled because one of its linked settlement instructions is missing) or "E-SETT-SPS-STM-0017" (Settlement Instruction is unsettled because one of the counterpart's linked settlement instructions is missing) or "E-SETT-SPS-STM-0018" (Settlement Restriction is unsettled because one of its linked settlement instructions is missing) must be reported to LCMM via a status update request flow for all other settlement transactions of the pool rendered</p>			

incomplete.

If there is a settlement transaction outside of the pool that would be linked "WITH" to any settlement transaction in the pool turned INCOMPLETE, the function shall report to LCMM via a status update request flow for the settlement transaction linked WITH the following reason codes:

- "SPST025" (A settlement instruction cannot be submitted to a settlement attempt if another instruction or restriction which is 'Cancelled' states a link WITH or BEFORE this instruction) when the settlement transaction is related to a Matching Object and linked to the settlement instruction/restriction which is cancelled.
- "SPST027" (A settlement restriction cannot be submitted to a settlement attempt if a linked settlement instruction or restriction is 'Cancelled') when the settlement transaction is related to a settlement restriction and linked to the settlement instruction/restriction which is cancelled.
- "SPST032" (Settlement Instruction or settlement restriction is unsettled because it states a link WITH an instruction or a restriction that is not eligible for settlement) when the settlement transaction is related to a Matching Object or a settlement restriction and linked to any settlement instruction which is not the cancelled one in the pool.

In case of cancellation of a settlement transaction belonging to a pool which is still INCOMPLETE, no reporting is required from SETT.

Main Cost Drivers

- The validation module needs to be updated to change the way a pool is deemed as "Complete" by discarding the instructions associated to this pool reference that are canceled.
- In addition, the cancellation process will check any time an instruction is to be cancelled if this instruction belongs to a pool in order to drop it from the Link Instruction Counter. The counter is updated regardless the instructions is cancelled by the user or by the system.
- Implementation of new checks regarding the cancellation of Si/SR in a pool

Impact on other TARGET Services and projects

No impact on other TARGET Services.

Summary of project risk

None

Security analysis

No adverse effect has been identified during security assessment.



05 May 2022

Cost assessment on Change Requests

T2S-756-SYS – If an instruction is cancelled, then T2S should no longer consider it to be part of a Pool			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	307,781.99	Euro
Annual	Operational costs		
	- Maintenance costs	31,820.48	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).