

General Information (Origin of Request)		
<input checked="" type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Euroclear	Institute: CSD	Date raised: 31/07/2012
Request title: Control of provision on position earmarked for auto-collateralisation		Request ref. no: T2S 0375 URD
Request type: Common		Urgency: Normal
1. Legal/business importance parameter: (C, H, M, L) H	2. Market implementation efforts parameter: (H, M, L) L	
3. Operational/Technical risk parameter: (H, M, L) H	4. Financial impact parameter: (H, M, L) (to be filled in by 4CB)	
Requestor Category: CSD		Status: Parked

Reason for change and expected benefits/business motivation:

- 1) Avoid useless delivery fails.
- 2) Avoid a regression for Euroclear France participants who benefit today from this STP feature

If not taken into account, this will be seen as a strong regression on the current French Market practice.

Description of requested change:

When controlling the securities position before settlement, T2S only looks at the securities restriction indicated in the delivery instruction. This causes an issue when the deliverer has also the provision in its position earmarked for auto-collateralisation or eventually in an earmarked balance dedicated to another use but still available for settlement.

Current T2S feature will oblige participant to make realignments from earmarked positions to deliverable positions. On the other hand a participant cannot, for legal reasons, concentrate all its holdings in the earmarked position.

This CR requests T2S to:

1. To create an additional parameter in the configuration the earmarking type that defines whether related earmarked positions should be considered or not as available for settlement in case the deliverable (AWAS) position is not sufficient
2. In case the deliverable position is not sufficient in the account of deliverer, T2S should check in the appropriate earmarked balances whether there is additional provision to settle the transaction
3. Trigger an automatic realignment between the two delivery restrictions from earmarked position to the deliverable position before settlement processing

Submitted annexes / related documents:

Proposed wording for the URD Change request:

The User Requirement Document shall be modified as follows:

Provision check of available securities position on the securities account

Reference ID	T2S.07.272
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T2S shall check for the securities leg of a settlement instruction to deliver securities that the position in the security in the balance type on the securities account, specified in the settlement transaction, is sufficient to settle the transaction. This step in this provision check is successful if the securities position in the relevant balance type on

the securities account is equal to or greater than the quantity/nominal specified in the leg of settlement transaction to deliver. If this check determines that there are not sufficient securities, T2S shall check the position earmarked as available for auto-collateralisation for the same securities account, and/or any other earmarked balance with a position type that allows its use for settlement. If this second check determines that the securities account does not have sufficient securities, then T2S shall check for collateralised positions in the security for that same securities account to determine whether the execution of collateral substitution would result in a sufficient position to settle the transaction. If this is the case, then the provision check is successful and T2S shall execute the provision check for liquidity on T2S dedicated cash account for the settlement of cash leg(s). When the provision check is not successful, then T2S shall trigger the termination of the settlement process for the settlement transaction or set of settlement transactions.

T2S shall not perform this check for securities accounts, which allow negative securities positions according to their static data configuration.

High level description of Impact:

Outcome/Decisions:

CRG meeting of 1-2 October 2012: The Change Request is discarded for release 1 and will potentially be considered for a future release of T2S.