

1. General Information		
CR raised by: T2S Project Team	Institute: ECB	Date raised: 18/11/08
Change Request title: Delivery-versus-Delivery is not an instruction type but two linked FOP instructions		CR ref. no: T2S URD 0118
Change Request Classification: Clarification <i>(Typo, Consistency, Clarification, Substance)</i>		Status: Approved by AG
Change Type: Modification <i>(New Requirement/Modification/Deletion)</i>		Requestor Category: T2S Project Team <i>(User, 4CB, ECB T2S Project Team)</i>
Chapter Number/Annexe Number Chapter 5, Chapter 7, Chapter 9, Chapter 13, Annex 2		Req No: (If applicable)
Priority (S,H,M,L): M		Proposed implementation date/Release:
Description of requested change: Chapter 5 on LCMM should be changed to make it clear that a delivery versus delivery (DVD) is not an instruction type but a delivery free of payment (DFOP) instruction linked to a receive free of payment (RFOP) instruction		
Reason for change and expected benefits/business case: In the absence of a strong business case, the ISO2022 does not foresee the creation of a new instruction type for a delivery versus delivery (DVD) instruction. From a legal point of view, it is not relevant whether a given transaction type (FOP, DVP or DVD) is exercised via a specific instruction type or via the linking of other instruction types, as long as the desired effect (and its operational certainty/safety) is assured. In essence, a DVD (delivery versus delivery) transaction is the exchange of two securities positions (for whatever purpose, e.g. exchange offers, corporate actions, substitutions of collateral – hence not necessarily a transfer of ownership), whereby the execution of either delivery has to be dependent on the other (corresponding) delivery. Hence, the understanding of a DVD as two linked FOP transactions, being dependent (contingent) on each other, is absolutely correct. The binding effect on the two mutual instructions is created when the instructions are entered into the respective system(s) (in accordance with the (future) harmonised rules of participating CSDs). The instruction type used within the system(s) (DVD or 2 linked FOPs) is irrelevant in this regard.		
Submitted annexes / related documents:		
Proposed wording for the Change Request: Removal of the following bullet point in section 5.2.1 Instruction types (page 9, lines 5 and 6) because DVD is not an instruction type: "• DVD (delivery versus delivery) defines an exchange of securities between the parties concerned. For example, collateral substitution uses a DVD instruction." - Modification of the requirement T2S.05.090 (Minimum settlement unit check) because DVD is not an instruction type: "T2S shall check the settlement unit against the minimum settlement unit or nominal. T2S shall validate all ISINs where an instruction contains more than one ISIN (e.g. in the case of DVD instructions)." - Modification of the requirement T2S.05.100 (Multiple or deviating settlement unit check) because DVD is not an instruction type: "T2S shall check against the multiple or deviating settlement unit or nominal. T2S shall not perform this check on some instructions related to corporate actions. T2S shall validate all ISINs where an instruction contains more than one ISIN (e.g. in the case of DVD instructions)." - Modification of the requirement T2S.05.570 (Mandatory matching fields) and T2S.05.590 (Additional matching fields) because DVD is not an instruction type: T2S.05.570: "Mandatory matching fields are those instruction fields that T2S matches in instructions. The instruction type (DVP, DWP, or FOP or DVD) shall determine the mandatory matching fields. The current list of mandatory		

matching fields is documented in the table below."

T2S.05.570 and T2S.05.590: Removal of the column DVD that includes matching fields

Addition of a footnote in FOP column: "In line with current market practices, in T2S DVD instructions will consist of two linked FOP instructions (link between a RFOP and a DFOP)".

- Modification of the tables 5.7.1 (Examples of life cycle types) and 5.7.2 (Examples of transaction types) of chapter 5 in order to remove any mention to DVD instructions

- Modification of the table 13 3 - Message glossary (Chapter 13, page 35, 6 bullet point)

"Should cover all type of instructions being part of T2S scope, including ~~DVD~~, Delivery with Payment, single instruction with both buying and selling legs, bulk orders/block-trade instructions, DVP and RVP with securities quantity equal to zero, and others as defined in chapter 5."

- Modification of the sentence in line 18, page 14 of section 9.3 - Corporate actions settlements (non-trading related settlements) as follows:

"This is covered by the delivery versus delivery transaction (DVD) consisting of two FOP instructions ~~(DVD), already a generic T2S requirement.~~"

- Modification of the sentence in line 3, page 17 of chapter 7 (requirement T2S.07.260) as follows:

"The provision-checking shall cover all the settlement legs of the relevant transaction (~~i.e. e.g.~~ the cash and securities legs for a DVP transaction, ~~both securities legs for a DVD transaction, etc...~~)."

- Removal of the rows of DVD and RVD and Table 11-11 of chapter 11 - Attribute Domain of Settlement Instruction types (page 16)

- Modification of the definition Delivery-versus-Delivery (DVD) in the glossary (annex 2. Page 6) as follows:

~~"a type of instruction and settlement mechanism, specifying a link between two securities transfers, to ensure that a delivery occurs if, and only if, another delivery occurs and vice versa."~~

Outcome of meetings:

* SG meeting on 12 Jan 2009

Outcome: (1) Check with the ISO registration body through the Messages standardisation Sub-Group what the impact would be if DVD would be included as instruction type, i.e. if more than 1 ISIN would be foreseen in an instruction.

(2) Check if there is a legal difference between 1 DVD instruction and 2 linked FOP instructions (one more secure than the other)

Recommendation to the AG: Request further evaluation

* AG Meeting on 20 Jan 2009

AG required SG further evaluation

* Message Standardisation SG meeting on 12 February

The SG confirmed that there is no need for a DVD as an instruction type. With reference to the reporting of DVDs, it was concluded that since DVDs may not be separately identified from other instructions, they may not be the subject of a specific reporting either. Moreover, the need for such a reporting is not established

* SG Meeting of 5/6 March 2009:

Recommendation to AG for approval

* AG Meeting on 25 March 2009

Approved of SG recommendation