

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: T2S CASG	Institute: ECB	Date raised: 15/09/2014
Request title: Deferred processing of maturity/expiry date update in T2S		Request ref. no: T2S 0471 SYS
Request type: Common	Urgency: Fast-track	
1. Legal/business importance parameter: Medium	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: Low	
Requestor Category: T2S Sub-group	Status: Authorised at Steering Level	

Reason for change and expected benefits/business motivation:

According to T2S CA transformation standard 2, “the transformation process shall take place by the end of record date or market deadline and during the rest of the transformation detection period (i.e. 20 T2S opening days after the record date/ market deadline)”.

To comply with this requirement of the T2S CA standard, settlement instructions in the old security should be accepted by T2S and attempted for matching by T2S until the end of day (EOD) of the record date of the Corporate Action event; the record date is the day before maturity/expiry date (which in turn is the payment date of the event). The CASG understands that with the current T2S functionality and the practices of the CSDs, the application of this rule will lead to slightly different results for the two settlement types possible in T2S: units (e.g. stocks) or face amount (e.g. bonds).

Maturity/expiry date of a security in units

It is expected that the SME will not specify any maturity/expiry date of a security in units at the time of security creation in T2S as it is unknown. Therefore, the maturity/expiry date will have to be communicated later on via a security updated request. In this respect, T2S currently executes update requests of the maturity/expiry date of a security immediately. This immediate execution implies that:

1. T2S would cancel all pending settlement instructions that have been instructed on that security by a CSD participant and those transactions which have an ISD equal to or greater than the maturity/expiry date of the security¹ following the revalidation triggered by that update.
2. T2S would reject any new inbound instructions that are instructed by a CSD participant and have an ISD equal to or greater than the maturity/expiry date of the updated security. T2S would also reject these new inbound instructions if they are instructed by the CSD participant on or after the maturity/expiry date of the security².

Because of these validation rules and the immediate execution of a maturity/expiry date updates and the revalidation triggered by T2S when a maturity/expiry date update is executed, in order to comply with the T2S CA standard cited above, SMEs should send maturity/expiry date updates only in the period during the EOD on record date (i.e. between 18:00 and 18:45) to enable T2S to accept instructions, until this point in time, in the old ISIN with ISD equal to or greater than the maturity date.

However, this procedure is considered risky by some CSDs because of the narrow timeline SMEs have for sending maturity/expiry dates updates. Furthermore, some CSDs pointed out that in very rare circumstances there may be a business need to update the maturity date of an ISIN well in advance of the record date because of the need to correct mistakes, change of the maturity date of a security resulting from CA event, etc. Therefore, they request a modification of the functionality to process the updates of the maturity/expiry date of securities as proposed by this CR, i.e. to queue requests for update of maturity/expiry date of a security received in the current settlement day but execute them in T2S only in the end of day period.

The CASG fully supports this change request provided that SMEs will in principle send the maturity/expiry date updates only on the record date of maturing securities. SMEs may deviate from this rule and update the maturity date earlier only in the case of valid business reasons such as correction of mistakes and change of maturity date resulting from a CA.

Maturity/expiry date of security with a face amount

¹ This is due to Business rule MVIC311: “When the Instructing Party is not the investor CSD, the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, the Intended Settlement Date of a Settlement Instruction must be earlier than the Maturity Date of the Security”.

² This is due to Business rule MVIC313: “When the Instructing Party is not the investor CSD, the technical Issuer CSD or the Issuer CSD of the ISIN Code specified in a Settlement Instruction, the Current Business Date must be earlier than the Maturity Date of the ISIN code”.

It is expected that the SME will specify the maturity/expiry date of security with a face amount at the time of security creation as it is already known. In this context, T2S would reject any new inbound instructions that are instructed by a CSD participant and have an ISD equal to or greater than the maturity/expiry date of the updated security (due to business rule MVIC313). This is in line with the interpretation of the CASG on the application of the transformations standard 2 with regards to securities with a face amount.

Description of requested change:

A new functionality should be implemented in T2S to queue all security maintenance requests updating the maturity/expiry date of a security and to execute them automatically during the EOD phase of the settlement day during which the security maintenance request was submitted to T2S, independently of the settlement type of the security. This functionality should not queue security maintenance requests leaving blank the maturity/expiry date of a security.

No functionality is required to queue the execution of the maturity/expiry date defined in a security creation request independently of the settlement type of the security.

Submitted annexes / related documents:

Clarification note on managing transformations in T2S, approved by the CASG

Proposed wording for the Change request:

High level description of Impact:

UDFS page 1103, section 3.3.6.2 (SecurityMaintenanceRequest V01)

MESSAGE ITEM	DATA TYPE / CODE	BUSINESS RULES
ExpiryDate Document/SctyMntncReq/UpdTp/UpdTp/Modify/FinInstrmAttrbts/XpryDt	ISODate	DSU1025 DSU1026 <u>DSU1703</u>

UDFS section 4.1 (Index of Business Rules and Error Codes)

BR NAME	DESCRIPTION	INBOUND MESSAGE	REPLY MESSAGE	CODE USE	REASON CODE	ERROR TEXT
<u>DSU1703</u>	<u>When performing a Security Update request, if the request contains updates to the Final Maturity-Expiry Date, and it is submitted outside of the End of Day period, the request is queued and executed at the start of the End of Day period.</u>	<u>reda.007</u>	<u>reda.029</u>	-	<u>REJT</u>	<u>Securities update has been queued and will be executed during the End of Day period.</u>

UHB page 713, section 2.5.2.7 (Security – New/Edit Screen)

Maturity Date	<p>Enter the maturity or expiry date of the security or use the <i>calendar</i> icon.</p> <p>Required format is: YYYY-MM-DD</p> <p><u>References for error messages:</u></p> <ul style="list-style-type: none"> • DSC1025 • DSC1028 • DSU1003 • DSU1025 • DSU1026 • <u>DSU1703</u> <p>This date must be later than or equal to the current date.</p> <p>If you leave this field blank in the <i>edit</i> screen, the existing future value is cancelled.</p>
---------------	--

UHB page 720, section 2.5.2.7 (Security – New/Edit Screen)

Submit	<p>This function enables you to create or edit a security.</p> <p>After a security creation request is completed a prompt is shown with the following request: 'Do you want to configure the issuer now?'</p> <p>In case you click on the 'Yes' button you will be redirected to the new CSD link screen with the following prefilled items:</p> <ul style="list-style-type: none"> • ISIN field with Security-ISIN value; • Link type field is with ISSUER value; • Valid from with business date; • Issuer investor parent BIC and issuer investor BIC with user - related parent BIC (if the creating user is a CSD user, otherwise the "Issuer Investor" fields are empty). <p>Next screens:</p> <ul style="list-style-type: none"> • <i>Security CSD links – search/list <u>screen</u></i> (if you confirm the 'CSD Link' confirmation prompt) • <i>Securities – search/list <u>screen</u></i> <p><u>References for error messages:</u></p> <ul style="list-style-type: none"> • DSC1001 • DSC1013
--------	---

-
- DSC1021
 - DSC1022
 - DSC1024
 - DSC1025
 - DSC1026
 - DSC1027
 - DSC1028
 - DSC1029
 - DSC1032
 - DSC1040
 - DSC1252
 - DSC1254
 - DSC1256
 - DSC1257
 - DSC1700
 - DSC1701
 - DSC1702
 - DSC1800
 - DSU1001
 - DSU1003
 - DSU1005
 - DSU1006
 - DSU1007
 - DSU1009
 - DSU1013
 - DSU1022
 - DSU1023
 - DSU1024
-

-
- DSU1025
 - DSU1026
 - DSU1029
 - DSU1030
 - DSU1031
 - DSU1032
 - DSU1040
 - DSU1041
 - DSU1042
 - DSU1252
 - DSU1254
 - DSU1255
 - DSU1256
 - DSU1257
 - DSU1300
 - DSU1700
 - DSU1701
 - DSU1702
 - DSU1703
 - DSU1800
-

UHB section 6.4.2.167 (Security – New/Edit Screen)

Reference for error message	Field or Button	Error Text	Description
-----------------------------	-----------------	------------	-------------

<p><u>DSU1703</u></p>	<ul style="list-style-type: none"> • <u>Maturity Date field</u> • <u>Submit button</u> 	<p><u>Securities update has been queued and will be executed during the End of Day period.</u></p>	<p><u>When performing a Security Update request, if the request contains updates to the Final Maturity-Expiry Date, and it is submitted outside of the End of Day period, the request is queued and executed at the start of the End of Day period.</u></p>
-----------------------	--	--	---

Outcome/Decisions:

- * CRG meeting of 24 October 2014: The CRG put the Change Request T2S-0471-SYS on hold. The Change Review Group was of the opinion that the Change Request could be simplified if the maturity/expiry date update requests are only sent on the day that they have to be implemented (solution similar to the one used for already-approved Change Request 435 – Replace dependency of static data updated on auto-collateralisation eligibility by a time-based approach). Therefore, the CRG agreed to ask the CASG to consider these elements in order to simplify the Change Request. The CRG also agree to log and park a future potential Change Request for the long-term solution (i.e. to allow CSD participants to send instructions to T2S even after the maturity date of a security till another specified date).
- * CASG written procedure from 5 to 7 November 2014: The CASG considered the CRG feedback and submitted an updated Change Request to the CRG.
- * CRG meeting of 17 November 2014: The CRG recommended to launch the detailed assessment on the Change Request.
- * OMG on 27 Jan 2015: During a written procedure from 20 Jan 2015 to 27 Jan 2015, the Operations Managers Group did not identify any operational impact of the Change Request.
- * CRG meeting of 6 February 2015: The CRG recommended the approval of the Change Request.
- * Advisory Group’s meeting on 23 March 2015: The AG was in favour of the Change Request.
- * CSG resolution on 27 March 2015: The CSG adopted the resolution to approve the Change Request via written procedure.
- * OMG meeting of 28-29 May 2015: The OMG did not raise any objection to the addition of the Change Request to the Release 1.1.
- * Advisory Group meeting on 2 July 2015: The AG was in favour of adding the Change Request to Release 1.1.
- * CSG resolution on 15 July 2015: Following a written procedure from 9 to 15 July 2015, the CSG adopted the resolution to add the Change Release 1.1.

ANALYSIS – GENERAL INFORMATION

Impact On T2S	Static data management		Interface		
		Party data management		Communication	
	X	Securities data management		Outbound processing	
		T2S Dedicated Cash account data management		Inbound processing	
		Securities account data management			
		Rules and parameters data management			
	Settlement		Liquidity management		
		Standardisation and preparation to settlement		Outbound Information Management	
		Night-time Settlement		NCB Business Procedures	
		Daytime Recycling and optimisation		Liquidity Operations	
		Daytime Validation, provisioning & booking	LCMM		
		Auto-collateralisation		Instructions validation	
				Status management	
	Operational services			Instruction matching	
		Data Migration/Support tools		Instructions maintenance	
		Scheduling	Statistics, queries reports and archive		
		Billing		Report management	
		Operational monitoring		Query management	
				Statistical information	
				Legal archiving	
		All modules (Infrastructure request)			
		No modules (infrastructure request)			
		Business operational activities			
	Technical operational activities				

Impact on major documentation				
Impacted GFS chapter				
Impacted UDFS chapter	3.3.6.2 SecurityMaintenanceRequest V01 (reda.007.001.01)			Inclusion of new business rule code
	4.1 Index of Business Rules and Error Codes			Inclusion of new business rule
Additional deliveries for Message Specification				
UHB	1. Security – New/Edit Screen			Inclusion of new business rule code
	6.4.2.167 Security – New/Edit Screen			Inclusion of new business rule
External training materials				
Other documentations				
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>Concerning the Static data management domain, a new business rule is required to queue updates to the Maturity Date. Any Security Update request containing a new value for the Final Maturity-Expiry date will be only executed during the End of Day period. If it is received outside of the EoD period, it will be queued until the next EoD.</p> <p>The new business rule to be added to the Update Security function implies an update of the UDFS (chapters 3 and 4) and the UHB (chapters 2 and 6). The internal specifications and software will be adapted accordingly. Relevant testing activities will be performed as well.</p>
Summary of project risk
Risk related to the late availability of the change compared to go-live date.
Security analysis
No security impact (do not entail any additional costs related to the implementation of security controls).

DG - MARKET INFRASTRUCTURE PAYMENTS / MARKET
INFRASTRUCTURE MANAGEMENT

ECB-PUBLIC

20 January 2015

COST ASSESSMENT ON CHANGE REQUESTS

T2S-0471-SYS Deferred processing of maturity/expiry date update in T2S		
Project phase costs (total)	51,645.49	in Euro
Running costs (annual average over cost recovery period)	4,262.00	in Euro