

<b>General Information (Origin of Request)</b>		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> Clearstream	<b>Institute:</b> CSD	<b>Date raised:</b> 27 June 2015
<b>Request title:</b> Hold/release default at account level should not override the Hold/Release indicator defined at instruction level		<b>Request ref. no:</b> T2S 0532 SYS
<b>Request type:</b> Common	<b>Urgency:</b> Normal	
<b>1. Legal/business importance parameter:</b> High	<b>2. Market implementation efforts parameter:</b> Low	
<b>3. Operational/Technical risk parameter:</b> Low	<b>4. Financial impact parameter:</b> Low	
<b>Requestor Category:</b> CSD	<b>Status:</b> Authorised at Steering Level	

**Reason for change and expected benefits/business motivation:**

Currently, T2S puts instructions on hold if the T2S “hold release default” value on account level is set to “Yes”. This is done independently from the hold release status informed in the instructed settlement instruction. In particular, T2S would put instructions on hold which are explicitly instructed as “released”.

This might lead to processing problems, e.g. during migration or in the execution of a Corporate Action, where any instruction submitted on an account with “hold release default” value “Yes” is put on hold and must be released in a subsequent step.

**Description of requested change:**

The “hold release default” parameter should not override any hold/release status informed in the settlement instruction. It should only be applied into instructions without explicit hold/release status being informed.

In order to provide a complete view on the T2S behaviour, the CR will also include a description of the logic applied to the hold status of an instruction depending on the information provided in the sese.023 messages.

The sese.023 message contains two tags to fulfil the hold related information:

- “Hold Indicator” (Document/SciesSttlmTxInstr/SttlmParams/HldInd/Ind), optional field that can contain the value Yes or No;
- “Hold type” (Document/SciesSttlmTxInstr/SttlmParams/HldInd/Rsn/Cd/Cd), also optional field and repetitive that can contain the values Party Hold (PTYH) or/and CSD Hold (CSDH).

The schema does not define the “hold type” tag as mandatory in case the “hold indicator” is filled in. Therefore there could be different interpretations of the user’s intentions depending on the logic applied.

As a consequence, the communication of the “hold indicator” and “hold type” attributes in the sese.023 message and their relationship with the hold/release default functionality will be processed in T2S as shown below:

Sese.023 Hold Indicator	Sese.023 Hold Type	SDMG Hold/Release default Indicator SAC	T2S behaviour
T	PTYH	NA	SI is created on <b>PTYH=T</b> . Hold/Release default Indicator is not checked as the SI comes already on PTYH=T.
T	CSDH	T	SI is created on <b>PTYH=F</b> and <b>CSDH=T</b> . Hold/Release

			default Indicator is not checked as the PTYH is considered as false.
		F	SI is created on <b>PTYH=F</b> and <b>CSDH=T</b> . Hold/Release default Indicator is not checked as the PTYH is considered as false.
T	Empty	NA	SI is created on <b>PTYH=T</b> and <b>CSDH=F</b> . Hold/Release default Indicator is NOT checked as PTYH is considered informed as True as no hold type has been informed.
T	PTYH CSDH	NA	SI is created on both <b>PTYH=T</b> and <b>CSDH=T</b> . Hold/Release default Indicator is NOT checked as the SI comes with PTYH=T
F	PTYH	NA	SI is created on <b>PTYH=F</b> and <b>CSDH=F</b> . Hold/Release default Indicator is NOT checked as the SI comes with "Hold indicator" = F (regardless which hold type is informed)
F	CSDH	NA	SI is created on <b>PTYH=F</b> and <b>CSDH=F</b> . Hold/Release default Indicator is NOT checked as the SI comes with "Hold indicator" = F (regardless which hold type is informed)
F	Empty	NA	SI is created on <b>PTYH=F</b> and <b>CSDH=F</b> . Hold/Release default Indicator is NOT checked as the SI comes with "Hold indicator" = F (regardless which hold type is informed)
Empty	Empty	T	SI is created on <b>PTYH=T</b> . Hold/Release default Indicator is checked as the SI does not inform any hold indicator
		F	SI is created on <b>PTYH=F</b> . Hold/Release default Indicator is checked as the SI does not inform any hold indicator

Therefore, depending on the combination of hold indicator and hold type informed in the incoming instruction, T2S will consider the instruction as follows:

- If "Hold Indicator" = T, and no hold status type is informed, only PTYH is considered as True. In case the hold type informed is CSDH, T2S considers the PTYH as false;
- If "Hold Indicator" = F, both PTYH and CSDH are always considered as False, regardless if any, none or both hold types are informed in the instruction.

As a consequence of this logic, T2S will check the "hold/release default flag" value defined in the relevant Securities Account only in case the "Hold Indicator" is not informed in the incoming instruction (i.e. empty);

The logic described above will apply to any incoming SI sent in either A2A or U2A.

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**Submitted annexes / related documents:**


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**Proposed wording for the SYS Change request:**


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The following UDFS v5.2 sections should be modified:

**A) Section 1.6.1.6.5 Hold/Release Default for Settlement Instructions, UDFS page 306:**

When a T2S Actor sends a Settlement Instruction, T2S checks if the Settlement Instruction has the Party Hold status set (i.e. hold indicator has value "Yes" or "No") ~~activated~~ or not.

In case the Party Hold status is not set activated, T2S checks in Static Data the "Hold Release Default" value of the Securities Account included in the Instruction:

- If the "Hold Release Default" value of the Securities Account is set to "Yes", the instruction is set automatically On Hold through the Party Hold Status (i.e. T2S sets the value of the "Party Hold" status to "Yes") and the T2S Actor is informed through a Status Advice on the acceptance of the instruction and the Party Hold status "Yes".
- In case the "Hold Release Default" value of Securities Account is set to "No", the instruction is not set automatically On Hold.
- ~~In case the Party Hold is activated, T2S does not check the "Hold Release Default" value in 1 Static Data for the Securities Account included in a Settlement Instruction.~~

**B) Section 1.6.4.1.3 Status management process, Table 171, page 609:**
**TABLE 171 – SETTLEMENT INSTRUCTION – PARTY HOLD STATUS VALUES DEFINITIONS 1**

STATUS VALUES	DEFINITION
No	Default value. The relevant T2S Actor has not instructed the Settlement Instruction On Party Hold. The relevant T2S Actor releases the corresponding Settlement Instruction which was previously On Party Hold.
Yes	Default value when the relevant T2S Actor has instructed the Settlement Instruction On Party Hold. When a Party Hold request on the Settlement Instruction, originated by the relevant T2S Actor, is executed. The relevant T2S Actor instructs the Settlement Instruction <u>without specifying the Party Hold Indicator</u> and the "hold Release default" value of the Securities Account included in the Instruction is set to "Yes".

**C) Section 2.3.3.2 Specific Restriction Validation, page 730:**

Since the communication to the user of all the different Hold types that apply to the Settlement Instruction is performed in a single message (instead of an individual message per hold type), T2S also checks if any of the following conditions is fulfilled by the Settlement Instruction in order to identify if the Settlement Instruction should be put on hold at its acceptance:

- The T2S Actor (Instructing Party) has sent the Settlement Instruction with the Party Hold status set to "Yes";
- The T2S Actor (Instructing Party) has sent the Settlement Instruction with the CSD Hold status set to "Yes";
- The T2S Actor (Instructing Party) has instructed the Settlement Instruction without the Party Hold status set (i.e. neither Party Hold status "Yes" nor "No" have been specified) ~~to "Yes"~~ but the "Hold Release default" value of the Securities Account included in the Instruction is set to "Yes".

**D) Section 3.3.8.5.3 The message in business context, page 1299:**
**Message usage: Accepted with Hold**

This message usage relates to the usage of a status advice message, sent by T2S, when the instruction is accepted and put on Hold at its validation. A Settlement Instruction is put on Accepted with Hold if the T2S Actor sends initially the Settlement Instruction with the Party Hold status set to "Yes" or the CSD Hold set to "Yes" and it is valid and accepted by T2S, or if the relevant T2S Actor instructs the Settlement Instruction without the Party Hold status being informed set to "Yes" and the "Hold Release default" value of the Securities Account included in the Instruction is set to "Yes".

**E) Section 3.3.8.5.3 The message in business context, page 1301:**

**Message usage: Accepted with CSD Validation Hold**

This message usage relates to the usage of a status advice message, sent by T2S, when the instruction is put on CSD Validation Hold at its acceptance in T2S. A Settlement Instruction is put on CSD Validation Hold if it fulfils any rule of a positive CSD Validation Hold restriction previously set by the CSD in T2S.

The SecuritiesSettlementTransactionStatusAdviceV03 informs the Accepted status and the Pending status (due to the CSD Validation Hold) in the same message. Additionally, if the Settlement Instruction has been sent with the Party or CSD Hold status set to "Yes" or the Settlement Instruction was submitted without Hold Indicator being informed and the securities account stated in the instruction has the Hold Release Default set to "Yes", T2S also informs of the different hold types that apply to the Settlement Instruction.

**F) Section 3.3.8.5.3 The message in business context:**

**Message usage example: sese.024.001.03\_T2S\_AcceptedWithHold\_Example.xml**

Firstly CSD Participant A (PRTAFRPPXXX) with a securities account '100000123' in T2S has instructed the delivery of 100000 securities ISIN000001 to its counterparty CSD Participant B (CSDPBBICXXX) and its CSD B (CSDBBIC1XXX) versus a payment of 575000, Euros for settlement on the 3/1/2015. The securities account '100000123' has the "Hold Release default" value set to "Yes", and the Settlement Instruction is submitted without the Hold Indicator being informed. In this example, T2S sends an accepted and a pending status in the same status advice to inform Participant A that its Settlement Instruction has been accepted and put on hold at its acceptance.

The following GFS v5.2 sections should be modified:

3.4.3 Instruction Validation:

The sub-function also checks:

- Whether the Securities Account included in a Settlement Instruction or in a Settlement Restriction on securities exists in T2S and is open on the Intended Settlement Date. This check is performed also for the counterparty's Securities Account if it is included in a Settlement Instruction regardless if the Settlement Instruction is unmatched or matched.
- If the value of the "Hold Release default" attribute of the Securities Account included in the Settlement Instruction is set to Yes in case the Settlement Instruction has no party hold value set (i.e. neither Party Hold status "Yes" nor "No" have been specified) does not already come with the party Hold activated {T2S.16.590}. This check is performed also for the counterparty's Securities Account only in case of "Already Matched" Settlement Instructions.

Nevertheless, the sub-function does not perform the above mentioned checks over the Securities Account if the relevant CSD is external to T2S.

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In addition, at the moment of creation of the LCMM Instruction(s) the function performs the following statuses assignment:

- | Hold Status assignment: The Party Hold Status or CSD Hold Status is set to "Yes" when the *Inbound LCMM Message* includes hold indicator with the value "Yes" specifying that it is On Hold by the T2S Party or the CSD, and sets the *Party Hold Status* or *CSD Hold Status* value to "No" otherwise. Additionally, in case the *Inbound LCMM Message* comes without the Party Hold Status being informed (i.e. neither Hold Status "Yes" nor "No" have been specified) and the "Hold Release default" value of the Securities Account included in the Settlement Instruction is set to "Yes", the Party Hold Status is automatically set to "Yes".

3.4.6 Status Management:

Party Hold Status (Settlement Instruction):

STATUS	DEFINITION	FROM MODULE (SET BY)	TO MODULE (USED BY)
No	<p>Default value.</p> <p>The relevant T2S Party has not instructed the Settlement Instruction On Hold.</p> <p>The relevant T2S Party releases the corresponding Settlement Instruction which was previously On Hold.</p>	IVA / IMA / VPB / NTS	IVA / IMA / SQRA / SPS / STM
Yes	<p>The relevant T2S Party has instructed the Settlement Instruction On Hold.</p> <p>When a Hold request on the Settlement Instruction, originated by the corresponding T2S Party, is executed.</p> <p><u>When the Settlement Instruction comes without Hold Indicator being informed (i.e. neither Hold Status "Yes" or "No" have been specified) and the "Hold Release default" value of the Securities Account included in the Instruction is set to "Yes", the Party Hold Status is automatically set to "Yes".</u></p>	IVA / IMA / VPB / NTS	IVA / IMA / SQRA / SPS / STM

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**High level description of Impact:**

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**Outcome/Decisions:**

- \* CRG meeting of 9 July 2015: The CRG decided to put the Change Request on hold and agreed that the Change Request T2S-0532-SYS could be a potential candidate for Release 2.
  - \* CRG meeting of 6/7 July 2016: The CRG recommended the Change Request for preliminary assessment.
  - \* OMG on 15 July 2016: In a written procedure from 11 to 15 July 2016, the OMG did not identify any blocking operational impact.
  - \* CRG meeting of 6 September 2016: The CRG took note of the T2S functionalities/modules impacted by the Change Request following the 4CB preliminary assessment.
  - \* CRG meeting of 27 September 2016: The CRG recommended to launch the detailed assessment on the Change Request.
  - \* CRG meeting on 12-13 December 2016: The CRG agreed to make some updates on the Change Request and recommended the approval of the Change Request and its inclusion in the T2S Release 1.3 in principle subject to a final confirmation by the CRG members in a written procedure until 16 December 2016.
  - \* CRG on 16 December 2016: During a written procedure from 13 - 16 December 2016, the CRG recommended the approval of the Change Request and its inclusion in the Release 1.3
  - \* OMG on 20 December 2016: During a written procedure from 13 to 20 December 2016, the Operations Managers Group reconfirmed that the Change Request does not have any blocking operational impact. The OMG was in favour of adding the Change Request to the T2S Release 1.3.
  - \* Advisory Group on 22 December 2016: Following a written procedure from 16 to 22 December 2016, the AG was in favour of approving the Change Request and its inclusion in T2S Release 1.3.
  - \* CSD Steering Group on 23 December 2016: Following a written procedure from 16 to 23 December 2016, the CSG adopted the resolution to approve the Change Request and its inclusion in T2S Release 1.3.
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**Preliminary assessment:**

- Impacted functionality/module: LCMM.

No further functional, technical and risk related issues have been identified beyond the elements already described in the Change Request.

## EUROSYSTEM ANALYSIS – GENERAL INFORMATION

Impact On T2S	Static data management		Interface		
		Party data management		Communication	
		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	x	Instructions validation	
				Status management	
		Operational services		Instruction matching	
		Data Migration		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					
Document	Chapter	Change			
Impacted GFS chapter	3.4.3. Instruction Validation	Update the description of the Instruction Validation section to describe the correct logic to be applied depending on the hold-related values set in the incoming instruction (true, false or blank) and the Hold/Release default check.			
	3.4.6. Status Management	Update the Status Management section to include a reference to the Hold release Default functionality for the Party Hold.			
Impacted UDFS chapter	1.6.1.6.5 Hold/Release Default for Settlement Instructions 1.6.4.1.3 Status management process 2.3.3.2 Specific Restriction Validation	Update references to Party Hold and Hold release Default to clarify how the new logic works depending on the hold-related values set in the incoming instruction (true, false or blank).			
	3.3.8.5.3 The message in business context	Update the description for some sese.024 message usages to include references to the new logic to be applied.			
Additional deliveries for Message Specification	n/a				
UHB	n/a				
External training materials					
Other documentations					
Links with other requests					

Links	Reference		Title	
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OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT				
Summary of functional, development, infrastructure and migration impacts				
<p>Enhance all functions of the validation module in order to allow the transmission of a new value of the Party Hold Indicator (true, false or blank).</p> <p>Modify the consistency validation function to distinguish between a not informed Hold Indicator and a Hold Indicator set to false. Only when there is no indication in the instruction, the default hold at securities account level should be taken into account.</p> <p>On top of the dedicated tests, execution of regression tests for all condition modification instructions, hold and release and amendments and internally generated instructions (which should not be affected).</p>				
Summary of project risk				
No				
Security analysis				
No potentially adverse effect was identified during the security assessment.				



DG - MARKET INFRASTRUCTURE & PAYMENTS  
 MARKET INFRASTRUCTURE MANAGEMENT

ECB-PUBLIC



09 December 2016

## Cost assessment on Change Requests

T2S-532-SYS – Hold/release default at account level should not override the Hold/Release indicator defined at instruction level			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One off	Project phase costs	70,112.43	Euro
Annual	Operational costs	7,350.25	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).