

<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> 10/11/2015
<b>Request title:</b> T2S should also validate the counterparty's securities account in an unmatched settlement instruction		<b>Request ref. no:</b> T2S 0564 SYS
<b>Request type:</b> Common		<b>Urgency:</b> Fast-track
<b>1. Legal/business importance parameter:</b> Medium	<b>2. Market implementation efforts parameter:</b> Low	
<b>3. Operational/Technical risk parameter:</b> Low	<b>4. Financial impact parameter:</b> Medium	
<b>Requestor Category:</b> CSD	<b>Status:</b> Authorised at Steering Level	

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

Various business rules on T2S ensure the existence of accounts being informed in T2S settlement instructions, that those accounts are open on the intended settlement date, as well as the consistency between the delivering / receiving accounts, the corresponding delivering/receiving party and the corresponding delivering/receiving depository:

MVCV001	If the Delivering depository is an internal CSD, the delivering Securities Account specified in delivering securities Settlement Instruction must exist in T2S.
MVCV002	If the Receiving depository is an internal CSD, the receiving Securities Account specified in receiving securities Settlement Instruction must exist in T2S.
MVCV273	If the Delivering depository is an internal CSD the delivering Securities Account specified in a delivering Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.
MVCV274	If the Receiving depository is an internal CSD the receiving Securities Account specified in a receiving Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.
MVCV276	If the Delivering Depository specified in a delivering securities Settlement Instruction is internal to T2S, the Delivering Depository must be the same than the depository derived from the delivering securities account.
MVCV277	If the Receiving Depository specified in a receiving securities Settlement Instruction is internal to T2S, the Receiving Depository must be the same than the depository derived from the receiving securities account in T2S Static Data.
MVCV280	If the Delivering Depository is internal to T2S, the Account Owner BIC derived from the delivering securities account in T2S Static Data must be the same than the T2S Delivering Party BIC if it is present in a delivering Settlement Instruction.
MVCV282	If the Receiving Depository is internal to T2S, the Account Owner derived from the receiving securities account in T2S Static Data must be the same than the T2S Receiving Party if it is present in a receiving Settlement Instruction.

However, those validations are only performed on the "own" leg, e.g. for delivery instructions, the delivering securities account must exist (MVCV001), must be open (MVCV273), must belong to the Delivering Party (MVCV280) and must belong to the Delivering Depository (MVCV276).

The counterparty account is not subject to such validation rules, i.e. in a delivering settlement instruction, it is possible to inform a receiving account which

- A) does not exist in T2S, or
- B) is not open on ISD, or
- C) does not belong to the Receiving Party, or
- D) does not belong to the Receiving Depository.

This can lead to scenarios where T2S alleges counterparties about intended settlement for counterparty accounts which do not exist or are no longer open, or for accounts which do not belong to the alleged party or Depository. In all those cases, the counterparty will not be able to instruct a matching counter-leg. T2S is sending out inconsistent allegations which cannot be processed properly.

This situation must be avoided. T2S should only send out consistent allegations which can be properly processed. In particular, the counterparty account must exist and must be open, and it must belong to the alleged counterparty. T2S validation rules must be adjusted accordingly.

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#### Description of requested change:

Business rules MVCV001/002/273/274/276/277/280/282 must be adjusted so that the validations in these rules are performed for both delivering and receiving settlement instructions.

MVCV001	If the Delivering depository is an internal CSD, the delivering Securities Account specified in <del>delivering a</del> securities Settlement Instruction must exist in T2S.
MVCV002	If the Receiving depository is an internal CSD, the receiving Securities Account specified in <del>receiving a</del> securities Settlement Instruction must exist in T2S.
MVCV273	If the Delivering depository is an internal CSD the delivering Securities Account specified in a <del>delivering</del> -Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.
MVCV274	If the Receiving depository is an internal CSD the receiving Securities Account specified in a <del>receiving</del> -Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.
MVCV276	If the Delivering Depository specified in a <del>delivering</del> -securities Settlement Instruction is internal to T2S, the Delivering Depository must be the same than the depository derived from the delivering securities account in T2S Static Data.
MVCV277	If the Receiving Depository specified in a <del>receiving</del> -securities Settlement Instruction is internal to T2S, the Receiving Depository must be the same than the depository derived from the receiving securities account in T2S Static Data.
MVCV280	If the Delivering Depository is internal to T2S, the Account Owner BIC derived from the delivering securities account in T2S Static Data must be the same than the T2S Delivering Party BIC if it is present in a <del>delivering</del> Settlement Instruction.
MVCV282	If the Receiving Depository is internal to T2S, the Account Owner BIC derived from the receiving securities account in T2S Static Data must be the same than the T2S Receiving Party BIC if it is present in a <del>receiving</del> Settlement Instruction.

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#### Submitted annexes / related documents

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

The following UDFS v2.1 section should be modified:

1.6.1.1 Business Validation, page 285

- Securities Account Validation<sup>1</sup>: T2S verifies that the Securities Account included in a Settlement Instruction or in a Settlement Restriction on securities exists in T2S and is open on the Intended

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<sup>1</sup> Checks applying on the Securities Account are not performed when the relevant Depository is an External CSD

Settlement Date. In case the Securities Account of the counterparty is also included in a Settlement Instruction, T2S also performs the abovementioned checks over the counterparty's Securities Account. This validation additionally checks:

- The Securities Account must be the same than the Securities Account of the delivering CSD Participant if this latter is present in a delivering Settlement Instruction.
- The Securities Account must be the same than the Securities Account of the receiving CSD Participant if this latter is present in a receiving Settlement Instruction.
- The T2S Party owner BIC of the Securities Account derived from the Securities Account included in a Settlement Instruction must be the same as the respective T2S Delivering or Receiving Party BIC present in the Settlement Instruction.
- The T2S Depository of the Securities Account derived from the Securities Account included in a Settlement Instruction must be the same as the respective T2S Delivering or Receiving Depository present in the Settlement Instruction.
- In case the Intended Settlement Date is in the past, T2S checks that the opening date of the Securities Account (and the counterparty's Securities Account if the latter is included in a Settlement Instruction) is equal or earlier than the current Business Day.

4.1 Index of Business Rules and Error Codes, pages 1773, 1774, 1795, 1796, 1797, 1799 and 1800

The description of some Business rules needs to be updated as follows:

BR Name	Description	Inbound Message	Reply Message	Code USE	Reason Code	Error Text
MVCV001	If the Delivering depository is an internal CSD, the delivering Securities Account specified in <del>delivering</del> securities Settlement Instruction must exist in T2S.	sese.023	sese.024	<Rjctd>	SAFE	The Delivering Securities Account does not exist in T2S.
MVCV001	If the Delivering depository is an internal CSD, the delivering Securities Account specified in <del>delivering</del> securities Settlement Instruction must exist in T2S.	sese.023	sese.024	<Canc>	CANS	The Delivering Securities Account does not exist in T2S.
MVCV002	If the Receiving depository is an internal CSD, the receiving Securities Account specified in <del>receiving</del> securities Settlement Instruction must exist in T2S.	sese.023	sese.024	<Rjctd>	SAFE	The Receiving Securities Account does not exist in T2S.
MVCV002	If the Receiving depository is an internal CSD, the receiving Securities Account specified in <del>receiving</del> securities Settlement Instruction must exist in T2S.	sese.023	sese.024	<Canc>	CANS	The Receiving Securities Account does not exist in T2S.
MVCV273	If the Delivering depository is an internal CSD the delivering Securities Account specified in a <del>delivering</del> Settlement Instruction must be open on the Intended Settlement Date and	sese.023	sese.024	<Rjctd>	SAFE	The Delivering Securities Account is not open on the settlement date.

	additionally on the current Business Day if the Intended Settlement Date is in the past.					
MVCV273	If the Delivering depository is an internal CSD the delivering Securities Account specified in a <del>delivering</del> Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.	sese.023	sese.024	<Canc>	CANS	The Delivering Securities Account is not open on the settlement date.
MVCV274	If the Receiving depository is an internal CSD the receiving Securities Account specified in a <del>receiving</del> Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.	sese.023	sese.024	<Rjctd>	SAFE	The Receiving Securities Account is not open on the settlement date.
MVCV274	If the Receiving depository is an internal CSD the receiving Securities Account specified in a <del>receiving</del> Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.	sese.023	sese.024	<Canc>	CANS	The Receiving Securities Account is not open on the settlement date.
MVCV276	If the Delivering Depository specified in a <del>delivering</del> securities Settlement Instruction is internal to T2S, the Delivering Depository must be the same than the depository derived from the delivering securities account in <u>T2S Static Data</u> .	Sese.023	Sese.024	<Rjctd>	DEPT	The delivering Depository is not consistent with the depository of the securities account
MVCV276	If the Delivering Depository specified in a <del>delivering</del> securities Settlement Instruction is internal to T2S, the Delivering Depository must be the same than the depository derived from the delivering securities account in <u>T2S Static Data</u> .	Sese.023	Sese.024	<Canc>	CANS	The delivering Depository is not consistent with the depository of the securities account
MVCV277	If the Receiving Depository specified in a <del>receiving</del> securities Settlement Instruction is internal to T2S, the Receiving Depository must be the same than the depository derived from the receiving securities account in T2S Static Data.	Sese.023	Sese.024	<Rjctd>	DEPT	The receiving Depository is not consistent with the depository of the securities account
MVCV277	If the Receiving Depository specified in a <del>receiving</del> securities Settlement Instruction is internal to T2S, the Receiving Depository must be the same than the depository derived from the receiving securities account in	Sese.023	Sese.024	<Canc>	CANS	The receiving Depository is not consistent with the depository of the securities account

	T2S Static Data.					
MVCV280	If the Delivering Depository is internal to T2S, the Account Owner BIC derived from the delivering securities account in T2S Static Data must be the same than the T2S Delivering Party BIC if it is present in a <del>delivering</del> -Settlement Instruction.	sese.023	sese.024	<Rjctd>	ICAG	The T2S Delivering Party specified is not consistent with the owner of the delivering securities account.
MVCV280	If the Delivering Depository is internal to T2S, the Account Owner BIC derived from the delivering securities account in T2S Static Data must be the same than the T2S Delivering Party BIC if it is present in a <del>delivering</del> -Settlement Instruction.	sese.023	sese.024	<Canc>	CANS	The T2S Delivering Party specified is not consistent with the owner of the delivering securities account.
MVCV282	If the Receiving Depository is internal to T2S, the Account Owner derived from the receiving securities account in T2S Static Data must be the same than the T2S Receiving Party if it is present in a <del>receiving</del> -Settlement Instruction.	sese.023	sese.024	<Rjctd>	ICAG	The T2S Receiving Party specified is not consistent with the owner of the receiving securities account.
MVCV282	If the Receiving Depository is internal to T2S, the Account Owner derived from the receiving securities account in T2S Static Data must be the same than the T2S Receiving Party if it is present in a <del>receiving</del> -Settlement Instruction.	sese.023	sese.024	<Canc>	CANS	The T2S Receiving Party specified is not consistent with the owner of the receiving securities account.

The following GFS v5.1 section should be modified:

### 3.4.3 Instruction Validation, page 210

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 and 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 does not already come with the party Hold activated {T2S.16.590}.~~

- 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 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.

The following UHB v2.1 section should be modified:

6.4.2.174 Settlement Instruction – New Screen, pages 2350, 2358, 2359, 2360 and 2361

Reference for error message	Field or Button	Error Text	Description
MVCV001	Securities Account field   Delivering Depository BIC field   Submit button	The Delivering Securities Account does not exist in T2S.	If the Delivering depository is an internal CSD, the delivering Securities Account specified in <del>delivering</del> securities Settlement Instruction must exist in T2S.
MVCV002	Receiving Depository BIC field   Securities Account field   Submit button	The Receiving Securities Account does not exist in T2S.	If the Receiving depository is an internal CSD, the receiving Securities Account specified in <del>receiving</del> a securities Settlement Instruction must exist in T2S.
MVCV273	Securities Account Number field   Intended Settlement Date field   Securities Account field   Delivering Depository BIC field   Submit button	The Delivering Securities Account is not open on the settlement date.	If the Delivering depository is an internal CSD the delivering Securities Account specified in a <del>delivering</del> Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.
MVCV274	Securities Account Number field   Securities Account field   Intended Settlement Date field   Receiving Depository BIC field   Submit button	The Receiving Securities Account is not open on the settlement date.	If the Receiving depository is an internal CSD the receiving Securities Account specified in a <del>receiving</del> Settlement Instruction must be open on the Intended Settlement Date and additionally on the current Business Day if the Intended Settlement Date is in the past.
MVCV276	Securities Account Number field   Securities Account field   Delivering Depository BIC field   Submit button	The Delivering Depository is not consistent with the depository of the securities account.	If the Delivering Depository specified in a <del>delivering</del> securities Settlement Instruction is internal to T2S, the Delivering Depository must be the same than the depository derived from the delivering securities account in <u>T2S Static Data</u> .
MVCV277	Securities Account Number field   Securities Account field   Receiving Depository BIC field   Submit button	The Receiving Depository is not consistent with the depository of the securities account.	If the Receiving Depository specified in a <del>receiving</del> securities Settlement Instruction is internal to T2S, the Receiving Depository must be the same than the depository derived from the receiving securities account in T2S Static Data.
MVCV280	Securities Movement Type Code field   Securities Account Number field   Party BIC field   Securities Account field   Delivering Depository BIC field   Submit button	The T2S Delivering Party specified is not consistent with the owner of the delivering securities account.	If the Delivering Depository is internal to T2S, the Account Owner BIC derived from the delivering securities account in T2S Static Data must be the same than the T2S Delivering Party BIC if it is present in a <del>delivering</del> Settlement Instruction.

Reference for error message	Field or Button	Error Text	Description
MVCV282	<ul style="list-style-type: none"> <li>  Securities Movement Type Code field</li> <li>  Securities Account Number field</li> <li>  Receiving Depository BIC field</li> <li>  Party BIC field</li> <li>  Securities Account field</li> <li>  Submit button</li> </ul>	The T2S Receiving Party specified is not consistent with the owner of the receiving securities account.	If the Receiving Depository is internal to T2S, the Account Owner derived from the receiving securities account in T2S Static Data must be the same than the T2S Receiving Party if it is present in a <u>receiving</u> Settlement Instruction.

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### High level description of Impact:

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#### Outcome/Decisions:

\*CRG Teleconference of 12 November 2015: CRG decided to put the Change Request on hold.

\*CRG meeting of 15 December 2015: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 1.3.

\* CRG meeting on 8-9 February 2016: The CRG identified the Change Request as a candidate for the Release 1.3. The CRG agreed to re-discuss the Change Request in the next CRG teleconference on 24 February 2016 when deciding on the list of Change Request for Release 1.3.

\* CRG teleconference of 24 February 2016: The CRG decided to put the Change Request on hold and identified as potential candidate for Release 1.3.

\* CRG meeting of 10 March 2016: The CRG recommended the Change Request for detailed assessment.

\* Advisory Group on 24 March 2016: In a written procedure from 18 to 24 March 2016, the Advisory Group was in favour of launching the detailed assessment on the Change Request.

\* CSD Steering Group on 29 March 2016: In a written procedure from 18 to 29 March 2016, the CSD Steering Group was in favour of launching the detailed assessment on the Change Request.

\* OMG on 23 March 2016: During a written procedure from to 16 to 23 March 2016 2016, the Operations Managers Group did not identify any operational impact.

\* CRG meeting on 6/7 July 2016: The CRG recommended the approval of Change Request and its inclusion in the T2S Release 1.3, in principle subject to feasibility of delivery for Release 1.3.

\* OMG on 6 July 2016: During a written procedure from 30 June 2016 to 06 July 2016, the Operations Managers Group did not identify any operational impact.

\* CRG on 19 August 2016: During the written procedure from 16 to 19 August 2016, the CRG agreed with the updates made on the detailed assessment and the revised cost assessment.

\* OMG on 26 August 2016: During a written procedure from to 19 to 26 August 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request. The OMG was in favour of adding the Change Request to Release 1.3.

\* Advisory Group on 1 September 2016: Following a written procedure from 12 to 18 August 2016, the AG was in favour of approving the Change Request.

\* CSD Steering Group on 2 September 2016: Following a written procedure from 12 to 19 August 2016, the CSG adopted the resolution to approve the Change Request.

\* Advisory Group on 20 September 2016: Following a written procedure from 14 to 20 September 2016, the AG was in favour of inclusion of Change Request in T2S Release 1.3.

\* CSD Steering Group on 21 September 2016: During the CSG meeting on 21 September 2016, the CSG adopted the resolution to include the Change Request in T2S Release 1.3.



## EUROSYSTEM ANALYSIS – GENERAL INFORMATION

<b>Impact On T2S</b>	<b>Static data management</b>		<b>Interface</b>	
		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		
	<b>Settlement</b>		<b>Liquidity management</b>	
		Standardisation and preparation to settlement		Outbound Information Management
		Night-time Settlement		NCB Business Procedures
		Daytime Recycling and optimisation		Liquidity Operations
		Daytime Validation, provisioning & booking	<b>LCMM</b>	
		Auto-collateralisation	x	Instructions validation
				Status management
	<b>Operational services</b>			Instruction matching
		Data Migration		Instructions maintenance
		Scheduling	<b>Statistics, queries reports and archive</b>	
		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			

<b>Impact on major documentation</b>		
<b>Document</b>	<b>Chapter</b>	<b>Change</b>
Impacted GFS chapter	3.4.3 Instruction Validation	Update of the description as regards the validation performed over the Securities Accounts informed in a Settlement Instruction to mention that the Counterparty's Securities Account is also checked regardless the match status of the Settlement Instruction.
Impacted UDFS chapter	1.6.1.1 Business Validation	Update of the Securities Account validation description to mention that the Counterparty's Securities Account is also checked regardless the match status of the Settlement Instruction.
	4.1 Index of Business Rules and Error Codes	Update the description of the BRs which validate the delivering and receiving securities accounts informed in an unmatched settlement Instruction to ensure the validation not only for the securities account of the own leg but also for the counterparty securities account (MVCV001, MVCV002, MVCV273, MVCV274, MVCV276, MVCV 277, MVCV280 and MVCV282)
Additional deliveries for Message Specification	n/a	

UHB	6.4.2.174 Settlement Instruction – New Screen	Update the description of the BRs MVCV001, MVCV002, MVCV273, MVCV274, MVCV276, MVCV 277, MVCV280 and MVCV282
External training materials	Business Validation training: T2S_FA_WS 2_Part2_SETT_BVAL_SRVP_RVAL_DIA PO T2S_FA_WS 2_Part2_SETT_BVAL_SRVP_RVAL_We bminar	Update the training materials in order to include the new checks performed over the counterpart securities account when included
Other documentations		
Links with other requests		
Links	Reference	Title
<b>OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT</b>		
Summary of functional, development, infrastructure and migration impacts		
<p>Update the Validation module in order to include four additional checks for every settlement instruction stating the securities account of the counterpart (optional field).                  When the counterpart CSD is internal to T2S and the securities account of the counterpart is specified in the settlement instruction, T2S should check:                  The existence of the Securities account of the counterpart                  The validity of the Securities account of the counterpart                  The coherence between the account owner BIC of the counterpart’s securities account and the Counterpart T2S Party BIC specified in the instruction (CSD Participant BIC equal to the account owner BIC)                  The coherence between the Depository of the counterpart’s securities account and the Counterpart T2S Depository specified in the instruction</p> <p>Regarding the validity dates of the securities account of the counterpart, same rules apply when the migration codeword is included in the instruction and therefore the checks will be performed against the current business day.                  Update the related configuration table in order to update the business rule description.</p>		
Summary of project risk		
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Security analysis		
No potentially adverse effect was identified during the security assessment.		

DG - MARKET INFRASTRUCTURE & PAYMENTS  
MARKET INFRASTRUCTURE MANAGEMENT

ECB-PUBLIC



16 August 2016

## Cost assessment on Change Requests

<b>T2S-564-SYS – T2S should also validate the counterparty's securities account in an unmatched settlement instruction</b>			
One-off	Assessment cost*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Project phase costs	132,662.40	Euro
Annual	Operational costs	11,236.34	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).