

| | | |
|--|--|--------------------------------------|
| 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: Clearstream | Institute: CSD | Date raised: 09 Dec 2014 |
| Request title: Default top priority setup | | Request ref. no: T2S 0493 SYS |
| Request type: Common | | Urgency: Fast-track |
| 1. Legal/business importance parameter: High | 2. Market implementation efforts parameter: Low | |
| 3. Operational/Technical risk parameter: Low | 4. Financial impact parameter: Medium | |
| Requestor Category: CSD | Status: Withdrawn by initiator | |

Reason for change and expected benefits/business motivation:

According to clarification note UT-PBR-003¹, default rules for “top priority” are implemented on the level of party BIC, and thus any rule configured for one CSD would automatically apply to all parties in other CSDs which have the same BIC11.

This feature can lead to scenarios where default rules configured for one CSD affect the configuration for another, independent CSD, thus creating unexpected business behaviour for certain instructions within this CSD.

The CR below suggests which measures should be taken to avoid such impacts.

Description of requested change:

- Regarding the default rules for “top priority”, the UDFS should be updated to clarify that T2S will configure the rule on the basis of a Party_BIC@CSD_BIC tuple.
- The configuration parameter “market type” should be added to the data model for instructions in T2S as outlined in the GFS.
- A clarifying footnote should be added into section 1.5.1 Business Configuration.
- The message documentation for the market type with the securities settlement transaction instruction (sese.023) should specify its use in determining top priority.

Submitted annexes / related documents:

Proposed wording for the Change request:

A) GFS Data Model should be updated as follows:

The settlement instruction class should be updated to include the market type code.

Section 3.4.2.2 on page 208:

Diagram needs to be replaced with a version which includes the market type code element within the settlement instruction class.

B) UDFS should be updated as follows

UDFS Section 1.6.1.9.2 Prioritisation page 338:

¹ See documentation of Change Review Group Telco of 2 December 2014:
http://www.ecb.europa.eu/paym/t2s/progress/pdf/tg/crg/crg28/utsg_clarification_notes_ut-pbr-003_and_ut-pbr-004.zip

Possible levels of priority

...

...

The following table illustrates with an example the parameter values for top priority that are set in static data and taken into account during the settlement processes.

In the examples below following table, a settlement instruction having no level of priority indicated, is processed with a settlement priority default "Top priority", provided it has the Party BIC/CSD BIC tuple specified in the table.

TABLE 120 – SETTLEMENT PRIORITY DEFAULT – TOP PRIORITY

| PRIORITY DESCRIPTION | PARAMETER TYPE | PARAMETER VALUE |
|--|-----------------------|---|
| Top priority for a Settlement Instruction instructed by Trading Platforms/CCPs | Instruction Type | SI |
| | Party BIC | BICXAABBXXX@CSDAABICXXX BICXAACCXXX@CSDCCBICXXX ... |
| | Priority | 0002 |
| Top priority for an OTC Settlement Instruction instructed by CCPs | Instruction Type | SI |
| | Market type | OTCO |
| | Party BIC | BICXAADDXXX@CSDDDBICXXX BICXAAEEXXX@CSDEEBICXXX ... |
| | Priority | 0002 |

UDFS Section 1.5.1 Business application configuration page 244:

General attribute domains: attribute domains provide a list of valid values for an attribute. The T2S Operator may define a set of general attribute domains that are applicable to all participants. This includes the following general configuration parameters: allegement periods (standard and before cut-off), recycling period for unmatched pending settlement instructions, acceptable time deviation period, settlement priority defaults for reserved priority^x, sequencing rules, duplicate check period (settlement instructions/restrictions, liquidity transfers, inbound files and messages, pools), billing information, retention period.

^x: Settlement priority default rules for top priority are also configured by the T2S Operator, however they are applied on the BIC11 tuple referring to CSD Participant / CSD provided by the relevant CSDs.

UDFS Section 3.3.8.4 SecuritiesSettlementTransactionInstructionV03 (sese.023.001.03):

MyStandards message documentation should be updated as follows:

The T2S-Use of the Trade Details / Place of Trade element should be modified to specify that this value relates to the market type a parameter used when determining priority defaults. The current T2S-Use should be removed and a T2S-Use should be provided for the type /code with the following text within the MyStandards documentation for sese.023:
- /SctiesSttlmTxInstr/TradDtls/PlcOfTrad/Tp/Cd: T2S-Use: 'Within T2S the Market Type Code can be used as a parameter in determining default priorities.'

High level description of Impact:**Outcome/Decisions:**

* CRG meeting of 6 February 2015: The CRG recommended to launch the detailed assessment of the Change Request.

- * CRG meeting of 12 March 2015: The CRG indicated that the Change Request, which was already recommended for detailed assessment by the CRG, is required for the Community Testing for Wave 2.
- * OMG on 9 March 2015: During a written procedure from 24 February 2015 to 9 March 2015, the Operations Managers Group did not identify any operational impact of the Change Request.
- * Advisory Group's meeting on 23 March 2015: The AG was in favour of launching the detailed assessment on the Change Request.
- * CSG resolution on 27 March 2015: Following a written procedure, the CSG was in favour of launching the detailed assessment on the Change Request.
- * CRG meeting of 20 May 2015: The CRG agreed to take out the set-up of Reserved default priority from this Change Request and include it in a future editorial Change Request.
- * CRG meeting of 9 July 2015: The CRG agreed that the Change Request is in principle not required anymore for Release 1.1, subject to confirmation by the OMG.
- * CRG telco of 4 September 2015: The ECB explained that the Change Request was included in the list of potential CRs for Release 1.2 as the OMG was consulting the CSD Steering Group before taking a final decision on whether the Change Request was required for Release 1.2.
- * CRG meeting of 17-18 September 2015: Following OMG's proposal to have an operational procedure for managing the top priority default until the end of the migration waves, the CRG agreed to put the Change Request on hold and the CRG agreed to exclude the Change Request from the list of potential CRs for Release 1.2 indicating that the Change Request is a potential candidate for Release 2.
- * CRG meeting of 6/7 July 2016: The CRG recommended the Change Request for preliminary assessment
- * CRG telco of 11 August 2016: The CRG took note that the initiator of the Change Request withdrew the Change Request since the OMG indicated that the current manual procedure as defined in the MOP could be used as a final solution (i.e. The OMG informs CSDs when there is a CSD's request to define top priority for a BIC in T2S given the chance to other CSDS to object).

Preliminary assessment:

- Impacted functionality/module: A2A, SETT, LTSI.
- No further functional, technical and risk related issues have been identified beyond the elements already described in the Change Request.