

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Clearstream, Deutsche Bundesbank	Institute: CSD	Date raised: 17/11/2016
Request title: Bilaterally Agreed Treasury Management (BATM) operations to be applied on bilateral basis only		Request ref. no: T2S 0640 SYS
Request type: Common	Urgency: Urgent	
1. Legal/business importance parameter: High	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: Low	
Requestor Category: CSD	Status: Authorised at steering level	

Reason for change and expected benefits/business motivation:

According to current specification (as clarified in CR584, item 18), BATM functionality can be invoked unilaterally:

- A transaction is considered BATM (Bilaterally Agreed Treasury Management) if at least one instruction leg indicates a securities transaction condition code ADEA (AcceptAfterRegularSettlementDeadline).

As a result, a T2S User cannot control any more whether an instruction should be allowed for BATM settlement or not. Namely, even if a T2S User does not configure the ADEA flag in the instruction (thereby disallowing the instruction for BATM settlement), the counterparty might set ADEA, and then the transaction will be eligible for BATM settlement. Consequently the DVP cut-off for this transaction is shifted from 16:00 (on normal business days) to 17:40 (BATM cut-off) and DVP settlement is possible until this later point in time. Moreover, the fact that the transaction is now eligible for BATM is not being communicated to the other T2S User prior to settlement, thus leading to a risk of unexpected DVP settlements after the DVP deadline.

This would cause impacts on liquidity management processes, either through unexpected cash being received on a DCA even after the DVP deadline, or, even worse, through cash being unexpectedly debited from a DCA after the DVP deadline. As a result, activities which are triggered on the assumption that a certain cash amount is available on the DCA could fail. Examples could be liquidity transfers which are not or only partially executed, or re-imburements which cannot be fully settled any more, thus leading to collateral relocation. Moreover, such unexpected settlement will also impact the management of the internal credit lines provided by payment banks to their customers, as it can no longer be assumed that the situation after the 16:00 deadline is stable.

To avoid those impacts, BATM should be invoked only if both T2S Actors have set the ADEA flag in their legs.

Description of requested change:

Transactions should be eligible for BATM settlement only if the ADEA flag is set in both legs of the transaction.

Submitted annexes / related documents:

...

Proposed wording for the Change request:

UDFS Chapter 4.2.1 ISO 20022 Codes, page 2034: footnote 362 to be adjusted as follows:

- A transaction is considered BATM (Bilaterally Agreed Treasury Management) only if at least one instruction leg indicates a the securities transaction condition code ADEA (AcceptAfterRegularSettlementDeadline) is specified in both legs of the transaction.

High level description of Impact:

Outcome/Decisions:

- * CRG meeting on 12/13 December 2016: The CRG was of the view that the market participants should not use the ADEA flag in the unmatched settlement instructions until the Change Request is implemented. The CRG also put the Change Request on hold.
- * CRG meeting on 24 January 2017: The CRG recommended to launch the detailed assessment of the Change Request and asked the 4CB to check the feasibility to deliver the Change Request in the T2S Release 2.0.
- * Advisory Group on 02 February 2017: In a written procedure from 26 January 2017 to 02 February 2017, the Advisory Group was in favour of launching the detailed assessment on the Change Request.
- * CSD Steering Group on 03 February 2017: In a written procedure from 26 January 2017 to 03 February 2017, the CSD Steering Group was in favour of launching the detailed assessment on the Change Request.
- * OMG on 16 February 2017: During a written procedure from 26 January 2017 to 16 February 2017, the Operations Managers Group did not identify any blocking operational impact.
- * Operational Mangers Group on 29 May 2017: Following a written procedure from 22 - 29 May 2017, the Operations Managers Group reconfirmed that the Change Request does not have any blocking operational impact.
- * CRG meeting on 07 June 2017: The CRG acknowledged the importance of the Change Request and was in favour of recommending it for approval and inclusion into T2S Release 2.0. However the CRG was of the opinion that the Change Request should be classified as 'corrective maintenance' and agreed to seek the guidance from the steering level.
- * CSG meeting on 13 June 2017: The CSG decided that the classification of change requests should not be a blocking factor for the CRG to proceed with their change management activities.
- * CRG teleconference on 23 June 2017: The CRG recommended the approval of the updated Change Request and its inclusion in the T2S Release 2.0.
- * PMG on 21 July 2017: During a written procedure from 19 to 21 July 2017, the Project Managers Group was in favour of adding the Change Request to Release 2.0 from a planning perspective based on their endorsement of the Service Transition Plan v.0.7 for Release 2.0.
- * Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) on 27 July 2017: Following a written procedure from 21 to 27 July 2017, the AMI-SeCo was in favour of approving the Change Request and its inclusion in T2S Release 2.0
- * CSD Steering Group on 28 July 2017: Following a written procedure from 21 to 27 July 2017, the CSG adopted the resolution to approve the Change Request and its inclusion in T2S Release 2.0

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
	X	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		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				
Impacted UDFS chapter	§ 4.2.1 ISO 20022 Codes,		Adjustment of footnote to specify that both legs should contain ADEA.	
Additional deliveries for Message Specification				
UHB				
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>A settlement transaction will be eligible to BATM cut-off only if both its Settlement instructions include 'ADEA' as transaction condition code.</p> <p>Note: In case CR-0556 (removal of DVP instruction from Cash Forecast after DVP cut-off) is implemented before CR-0640, QUM & REM will be impacted in order to include the new identification of Settlement Instructions relevant to BATM.</p> <p>In case CR-0640 is implemented before CR-0556 on a stand-alone basis QUM & REM will include the new identification of BATM-relevant Settlement Instructions together with the implementation of CR-0 556.</p>				

Summary of project risk
None
Security analysis
No potentially adverse effect was identified during the security assessment.



19 May 2017

Cost assessment on Change Requests

T2S-0640-SYS – Bilaterally Agreed Treasury Management (BATM) operations to be applied on bilateral basis only			
One-off	Assessment cost*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Project phase costs	35,686.59	Euro
Annual	Operational costs	3,503.08	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).