



EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REQUEST FORM		
General Information (Origin of Request)		
<input checked="" type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Euroclear	Institute: CSD	Date raised: 06/09/2023
Request title: 'Party hold' as a new category of restriction type case one rules		Request No.: T2S 0812 URD
Request type: Common	Classification: Scope enhancement	Urgency: Normal
1. Legal/business importance parameter¹: Medium		2. Market implementation efforts parameter²: Low
3. Operational/Technical risk parameter³: Low		4. Financial impact parameter⁴: High
Requestor Category: CSD		Status: Allocated to a release

Reason for change and expected benefits/business motivation:

T2S parties instruct their bilateral settlement instructions either directly (DCP mode) or indirectly (ICP mode) on their account in T2S. Depending on the need to position the security and cash resource before allowing the transaction to position, T2S Parties can use the Party Hold/Release and Partial Release functionality available in T2S.

For certain flows – typically CCP flows or trading platforms – the T2S Party needs to provide a POA to a 3rd party on his account for the instructing party to instruct either to be matched or already matched instructions.

Thanks to the POA the 3rd Party gets access to the securities account but also to the linked DCA of the T2S Party. This set up bears a risk – especially when the T2S party works under an omnibus account structure – as the 3rd Party could instruct with a status Released T+2, T+1 or even T+0 transactions that the T2S Party needs to control/position – i.e., check that his underlying client has the security and/or cash resource – before allowing the transaction to settle. Usually, this risk is mitigated by requesting the 3rd party to instruct on 'Party Hold' and 'Modifiable' which allows the T2S party to perform his controls before releasing the transaction either fully or partially. The T2S party and the 3rd Party having a POA on the account can also arrange contractual documentation between themselves to enforce the Hold status on the settlement instructions.

However, unless this Party Hold Status is embedded in the System, it may not be considered as sufficient to mitigate the risk (i.e. incident, fraud or a 3rd party not having the Party Hold/Release functionality) a POA on a T2S securities account (including the access to a DCA) entails. Therefore, a solution embedded in the settlement system (T2S platform) that ensures that settlement instructions received from selected 3rd parties are always instructed on Party Hold is considered a more robust mitigation of the identified risk.

Description of requested change:

Add a new case one restriction type in T2S with the same current functionality for the "CSD Validation Hold" but for putting a settlement instruction on 'Party Hold'.

The new restriction type "Party hold" should be checked with the least priority, i.e. after the restriction types 'Rejection' and "CSD Validation Hold" have been checked, i.e., this change should not affect the current order of the restriction checking sequence.

¹ Legal/business importance parameter was set to "Medium" because the change would mitigate a risk that a T2S party under an omnibus account structure incorrectly receives a released Instruction which should have been sent on Party hold.

² Market implementation effort parameter was set to "Low" because the change is optional for CSDs to use.

³ Operational/technical risk parameter was set to "Low" because the change is optional for CSDs to use.

⁴ Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

The instructions that are to be put on party hold from the new restriction type case one rule "Party Hold" will be identified by the current parameter types available in T2S.

The parameter types available for the configuration of the new Restriction type "Party Hold" should be the following: Party, Party type (of the instructing party), Party type (of the account owner), Security, Securities Movement Type, Payment, Transaction Identification, Market-specific Security attribute, Market-specific Securities account attribute, Market-specific Party Attribute, Matching status, Debited Position/Balance, Credited Position/Balance, Securities Account, Credit Debit Indicator, Country of Issuance and Settlement Currency.

The reference data management of the restriction type "Party Hold" should not differ from the "CSD Validation hold" rules, i.e. only CSDs will be able to set them up. Also, the "Party Hold" functionality should not be changed, the CSD Participants will be able to release instructions that were put on party hold when they fulfilled one of the new party hold RT Case one rules.

In term of reporting, and to identify those settlement instructions put on Party Hold by the new Restriction type "Party Hold", this new functionality should benefit from the implementation of T2S-0525-SYS 'Provide Restriction Type name and description in reason code due to Market Specific Restriction Types' meaning that if a settlement instruction fulfills a RT 'Party Hold' case one rule, T2S should report the rule name and description in the sese.024.

A reference to the "Hold/Release default" flag is included below to explain the requested behavior in the following paragraph:

From UDFS for R2023.NOV - 1.6.1.6.5 Hold/Release Default for Settlement Instructions

"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") or not. In case the Party Hold status is not set, T2S checks in Reference 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.*

The "Hold Release Default" check is performed only once, upon the first validation of an instruction received from a T2S Actor (i.e. it is not performed at revalidation process).

Changes in Reference Data of the "Hold Release Default" of a Securities Account do not trigger the revalidation of the instructions that include such Securities Account (i.e. the change of the "Hold Release Default" only affects instructions received after such a change)."

The new "Party Hold" RT case 1 rule check should be independent from the "Hold/Release default" flag check and from the check of the "Party hold" indicator informed in the settlement instruction. This means that, for example:

- an instruction sent with Hold Type = PTYH and Hold Indicator = False, will be set to Party Hold if it fulfills a positive RT 'Party Hold' case one rule.
- Likewise, an instruction sent with Hold Type = Empty and Hold Indicator = Empty will be set to PTYH = 'True' if it fulfills a positive RT 'Party Hold' case one rule, even if the Hold/Release default flag for the Securities Account included in the Settlement Instruction is set to "No".
- Finally, an instruction sent with Hold Type = Empty and Hold Indicator = Empty, will be set to PTYH = True if the Hold/Release default flag for the Securities Account included in the Settlement Instruction is set to "Yes", even if it fulfills a negative RT 'Party Hold' case one rule that would make the instruction exempted from fulfilling a positive rule.

Internally generated instructions will not be considered for the new "Party Hold" RT case 1 rule check.

The CRG have assessed potential alternative solutions and found that the new restriction type Party Hold solution was the preferred solution in order to still benefit from the partial release functionality in T2S.

Below, there are some examples to explain the requested functionality⁵:

Negative and positive examples of a Party hold RT case one rule:

Example 1 – a ‘Party Hold’ rule, resulting in the SI being put on party hold:

In the next table, a delivering settlement instruction is sent by Party A and ISIN X, the instruction is not sent on party hold (Hold indicator = ‘false’ and Reason code = ‘PTYH’). There are two RT case 1 rules configured, one positive Party Hold rule and one positive CSD Validation Hold rule. Since the instruction is not fulfilling the ‘CSD Validation Hold’ rule but it fulfils the ‘Party Hold’ rule, then the settlement instruction will be set on party hold during the business validation process.

Restriction Type	Positive/ Negative	Rules	Rule parameters			Hold/ release default flag	Party hold Before RT	Check outcome	Result
			Securities Movement Type	Instructing party	Security				
Settlement Instruction			DELI	Party A	ISIN X		Hold indicator = “False”, Reason code = “PTYH”		
Party Hold	Positive	Rule 1	DELI	Party A				✓	SI put on party-hold
CSD Validation Hold	Positive	Rule 2		Party B	ISIN X			✗	

Example 2 – ‘Party Hold’ and ‘CSD Validation Hold’ rules, resulting in SI put on ‘CSD Validation Hold’ and “Party Hold”:

In the next table, a delivering settlement instruction is sent by Party A and ISIN X, the instruction is not sent on party hold (Hold Indicator = “empty”). There are two positive RT case 1 configured, one positive Party Hold rule and one positive CSD Validation Hold rule. The Hold/Release default flag on the SAC is set to “No”. Since the instruction is fulfilling the CSD Validation Hold rule and the instruction also fulfils the Party Hold rule, the instruction will be put on CSD validation hold and on party hold during the business validation process, even if the H/R flag is set to “No”.

Restriction Type	Positive/ Negative	Rules	Rule parameters			Hold/ release default flag	Party hold Before RT	Check outcome	Result
			Securities Movement Type	Instructing party	Security				
Settlement Instruction			DELI	Party A	ISIN X	“No”	Hold status = “Empty”		
Party Hold	Positive	Rule 1	DELI	Party A				✓	SI put on party-hold
CSD Validation Hold	Positive	Rule 2		Party A	ISIN X			✓	SI put on CSD Val. hold

⁵ The examples provided in this change request does not cover all the possible restriction type parameter values e.g., the examples only cover the securities movement type for type DELI (deliver), while it will also be possible to set this parameter value to RECE (receive) and ZERO (settlement quantity is null).

Example 3 – Positive ‘CSD Validation hold’ and negative ‘Party Hold’ rules both fulfilled, instruction to be put on CSD Validation and Party hold (with instruction instructed already on Party Hold):

In the next table, a delivering settlement instruction is sent by Party A and ISIN X, the instruction is sent on party hold (i.e. Hold Indicator = “true” and Reason code = ‘PTYH’). There are two RT case 1 configured, one negative Party Hold rule and one positive CSD Validation Hold rule. The Hold/Release default flag on the SAC is set to “No”. Since the instruction is fulfilling the CSD Validation Hold rule, the instruction will be put on CSD validation hold during the business validation process. Since the instruction is sent on party hold, the instruction will be put also on ‘Party Hold’ regardless the fulfilment of a negative RT1.

Restriction Type	Positive/Negative	Rules	Rule parameters			Hold/release default flag	Party hold Before RT	Check outcome	Result
			Securities Movement Type	Instructing party	Security				
						“No”			
Settlement Instruction			DELI	Party A	ISIN X		Hold indicator = “True”, Reason code = “PTYH”		
Party Hold	Negative	Rule 1	DELI	Party A				✓	SI is already on party-hold
CSD Validation Hold	Positive	Rule 2		Party A	ISIN X			✓	SI put on CSD Val. hold

Example 4 Default H/R flag set to yes and negative ‘Party Hold’ rule fulfilled:

In the next table, a delivering settlement instruction is sent by Party A and ISIN X, the instruction is not sent on party hold (i.e. Hold Indicator = “empty”). There is a negative Party Hold RT case 1 configured and the H/R default flag on the SAC is set to “Yes”. Since the hold indicator of the instruction is empty, the H/R default flag is verified. AS it is set to yes, the instruction will be put on ‘Party Hold’, regardless it fulfils a negative RT 1 ‘Party Hold’ rule.

Restriction Type	Positive/Negative	Rules	Rule parameters			Hold/release default flag	Party hold Before RT	Check outcome	Result
			Securities Movement Type	Instructing party	Security				
						“Yes”			
Settlement Instruction			DELI	Party A	ISIN X		Hold status = “Empty”		
Party Hold	Negative	Rule 1	DELI	Party A				✓	SI except from any positive party-hold rule

Example 5 - Positive ‘CSD Validation Hold’ rule fulfilled and negative ‘Party hold’ rule fulfilled resulting in the SI to be put on CSD validation hold:

In the next table, a delivering settlement instruction is sent by Party A and ISIN X, the instruction is not sent on party

hold (i.e. Hold Indicator = "empty" OR with Hold indicator = 'false' and Reason code = 'PTYH'). There are two RT case 1 rules configured, one negative 'Party Hold' rule and one positive 'CSD Validation Hold' rule. The Hold/Release default flag on the SAC is set to "No". Since the instruction is fulfilling the positive CSD Validation Hold rule and the instruction also fulfils the negative Party Hold rule, the instruction will be put on CSD validation hold during the business validation process and the instruction will not be put on party-hold, even if any other positive 'Party Hold' rule is fulfilled because once a negative rule of 'Party Hold' is fulfilled, the positive ones of the same type of hold are not checked.

Restriction Type	Positive/Negative	Rules	Rule parameters			Hold/release default flag	Party hold Before RT	Check outcome	Result
			Securities Movement Type	Instructing party	Security				
						"No"			
Settlement Instruction			DELI	Party A	ISIN X		Hold status = "Empty" OR Hold indicator = "False", Reason code = "PTYH"		
Party Hold	Negative	Rule 1	DELI	Party A				✓	SI except from on party-hold rule
CSD Validation Hold	Positive	Rule 2		Party A	ISIN X			✓	SI put on CSD Val. Hold

Example 6 - Positive 'Party hold' rule fulfilled and Hold/Release default flag set to 'Yes' resulting in the SI to be put on Party Hold:

In the next table, a delivering settlement instruction is sent by Party A and ISIN X, the instruction is not sent on party hold (i.e. Hold Indicator = "empty" and Reason code = 'empty'). There is a positive 'Party Hold' RT case 1 rule configured. The Hold/Release default flag on the SAC is set to "Yes". Since the instruction is fulfilling the positive Party Hold rule and also the H/R flag is set to 'Yes' with the Hold indicator not fulfilled, the instruction will be put on Party hold by the fulfilment of the H/R flag or the fulfilment of the RT case 1 rule.

Restriction Type	Positive/Negative	Rules	Rule parameters			Hold/release default flag	Party hold Before RT	Check outcome	Result
			Securities Movement Type	Instructing party	Security				
						"Yes"			
Settlement Instruction			DELI	Party A	ISIN X		Hold indicator = "Empty", Reason code = "Empty"		
Party Hold	Positive	Rule 1	DELI	Party A	ISIN X			✓	SI is put on party hold by fulfilling the Party hold RT and from the H/R default flag.

Section added after the delivery of the Preliminary assessment:

During the preliminary assessment the following questions were raised by 4CB. The CRG answered them and requested to include them under the scope of CR-0812. Below, the answers to these questions:

- [Question] MSA is available as predicate only when object restriction type is equal to Settlement Instruction, Intra-position movement and Intra-balance movement. Are these object restriction types allowed for Restriction processing type 'Party Hold'?

[Answer]: MSA should also be available to be used by the new Restriction Type "Party Hold".

- [Question] In general, which are the allowed object restriction types for the new Restriction processing type?

[Answer]: The object restriction type available for the new "Party Hold" Restriction processing type should be "Settlement instruction".

- [Question] Likewise for 'CSD Validation Hold', the Valid From of 'Party Hold' must be greater than the date following the current date and the object restriction type must be "Settlement Instruction"?

[Answer]: The CRG agreed to follow the same approach as the one in place for 'CSD Validation Hold' Restriction type. It means that the Valid From of the new 'Party Hold' would be equal or greater than the Calendar day +2, as defined in the Business Rule 'DRCL007'- *'When performing a Restriction Type create request, if the specified Restriction Processing Type Is 'Rejection' or 'CSD Validation Hold', the specified Valid From must be greater than the date following the current. In all other cases the specified Valid From must be greater than the current date. The Service Operator can skip this check in contingency situations.'*

Submitted annexes / related documents:

Outcome/Decisions:

*CRG on 30 January 2024: the CRG agreed to launch the preliminary assessment of CR-0812.

*CRG on 26 April 2024: the CRG agreed to recommend CR-0812 for authorisation by the T2S Steering Level.

*AMI-SeCo on 7 May 2024: the AMI-SeCo agreed with the CRG recommendation of CR-812 for T2S Steering Level authorisation.

*CSG on 7 May 2024: the CSG agreed to authorise CR-812.

*NECSG on 7 May 2024: the NECSG agreed to authorise CR-812.

*MIB on 8 May 2024: the MIB agreed to authorise CR-812.

*PMG on 22 May 2024: the PMG agreed to launch the detailed assessment of CR-812 with a view of scoping in R2025.JUN.

*OMG on 3 September 2024: the OMG did not identify any operational impact of the inclusion of CR-0812 in the scope of R2025.NOV.

*CRG on 11 September 2024: the CRG agreed to recommend to the PMG the inclusion of CR-0812 in the scope of R2025.NOV.

*PMG on 12 September 2024: the PMG agreed to recommend the inclusion of CR-0812 in the scope of R2025.NOV.

*CSG on 19 September 2024: the CSG approved the implementation of CR-0812 with R2025.NOV.

*NECSG on 19 September 2024: the NECSG approved the implementation of CR-0812 with R2025.NOV.

*MIB on 26 September 2024: the MIB approved the implementation of CR-0812 with R2025.NOV.

Documentation to be updated:

T2S URD impacted chapter

Automatic hold of instruction for additional validation or processing by the CSD

Reference ID	T2S.05.127
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T2S shall hold a settlement instruction, including T2S internally generated realignment settlement instructions, automatically for additional validation or processing by the CSD when the settlement instruction fulfils predefined conditions of a restriction type (see section 11.10.2 – Restriction Processing Type = "CSD Validation Hold"), requiring T2S to hold the settlement instruction. The settlement instruction in T2S shall support a dedicated attribute CSD Validation Hold/Release Status to manage the CSD validation hold and release independently from the CSD hold and release. T2S shall only allow the CSD that defined such restriction for itself to release the

settlement instruction.

Additionally, T2S shall hold a settlement instruction not internally generated by T2S automatically for additional processing by the CSD or the relevant T2S parties when the settlement instruction fulfils predefined conditions of a restriction type (see section 11.10.2 – Restriction Processing Type = “ Party Hold”), requiring T2S to hold the settlement instruction. The attribute Party Hold/Release Status manages this type of hold. T2S shall allow the CSD that defined such restriction and the relevant T2S parties to release the settlement instruction.

11.10.2 – Restriction Types

...

Restriction processing types

Reference ID	T2S.11.662
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T2S shall support a *Restriction Processing Type* to enable the configuration of restrictions.

- **Rejection:**
Reject a settlement instruction validation (see T2S.05.128);
- **CSD Validation Hold:**
Set the CSD validation status automatically to “hold” when accepting a settlement instruction (see T2S.05.127);
- **Party Hold:**
Set the Party Hold status automatically on “hold” when accepting a settlement instruction;
- **Reservation:**
Create a reservation of a cash balance or securities position for a specific purpose;
- **Blocking:**
Block of a party, securities account, security or T2S dedicated cash account from settlement (see T2S.05.129);
- **Position Type / Earmarking:**
Define and manage position types for securities positions.

...

Table 11-16 – List of Attributes for the Entity Restriction Type

Attribute	Description
System Entity Identifier	This attribute shall specify the CSD or the NCB for which the restriction type is valid.
Restriction Type Identifier	This attribute shall define the unique technical identifier of a restriction type in T2S.
Restriction Type	This attribute shall specify a code that identifies the restriction. T2S shall allow CSDs or the NCBs to configure their own types.
Restriction Description	This attribute shall specify a text description of the restriction.
Valid From	This attribute shall specify the date from which the restriction type is valid.
Valid To	This attribute shall specify the date to which the restriction type is valid.
Object Restriction Type	<ul style="list-style-type: none"> • This attribute shall specify whether the restriction applies to a security, securities account, securities position in a securities account, T2S dedicated cash account or cash amount in a T2S dedicated cash account. T2S shall use this attribute in the application logic to identify and trigger the required validations. Valid object restriction types are: • Securities account

Attribute	Description
	<ul style="list-style-type: none"> • Security • T2S dedicated cash account • Securities position • Cash amount • Party • Settlement instruction • System entity
Restriction Processing Type	<p>This attribute specifies how T2S shall apply the restriction in processing.</p> <ul style="list-style-type: none"> • Rejection: Rejection in settlement instruction validation (see T2S.05.128) • CSD Validation Hold: Setting the CSD validation status automatically to “hold” when accepting a settlement instruction (see T2S.05.127) • <u>Party Hold: Setting the Party Hold status automatically to “hold” when accepting a settlement instruction.</u> • Reservation: Creating a reservation of a cash balance or securities position for a specific purpose • Blocking: Blocking of a party, securities account, security, T2S dedicated cash account, securities position or cash balance (see T2S.05.129) • Position Type / Earmarking: Define and manage position types for securities positions. <p>Please refer to the glossary for the definition of the terms “Blocking” and “Reservation”.</p>
Positive / Negative Parameter Set	<p>This Boolean attribute specifies whether the rules and matrices for the restriction type represent a positive or negative set of parameter. A positive parameter set shall specify the rules and combinations of attributes, requiring T2S to apply the restriction. A negative parameter set shall specify the rules and combinations of attributes for which T2S should not apply a restriction.</p>

GFS:**3.4.3 Instruction Validation**

3.4.3.3 Description of the functions of the module

(...)

3 – LCMM Instruction Validation

(...)

Specific Restriction Validation

(...)

A Restriction Type can imply that the Settlement Instruction has to be put automatically On Hold at the moment of its creation for additional validation or processing either by the CSD, through the CSD Validation Hold Status or by the T2S Party, through the Party Hold {T2S.05.127}. Also, it can imply the rejection of the Inbound LCMM Message or the cancellation of the LCMM Instruction **{T2S.05.128}**.

(...)

4 – Instruction Management

Instruction Management

(...)

Hold Status assignment: The Party Hold Status or CSD Hold Status of the instructed leg is set to "Yes" when the Inbound LCMM Message includes hold indicator with the value "PTYH" or "CSDH" accordingly specifying that it is On Hold by the T2S Party or the CSD. In case of an already matched Settlement Instruction, the Party Hold Status of the T2S generated counter-leg is set to "Yes" when the Inbound LCMM Message includes hold indicator with the value "PRCY", and both legs, instructed and T2S generated Counter-leg, are set On Party Hold when the inbound LCMM Message includes the hold indicator with the value "BOTH". The Party Hold Status or CSD Hold Status value is set 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", or if it fulfils predefined conditions of a Restriction Processing Type "Party Hold" previously identified during the Specific Restriction Validation, the Party Hold Status is automatically set to "Yes".

(...)

When receiving successfully revalidated LCMM Instructions that fulfil a new rule of a Restriction Processing Type "CSD Validation Hold", the function sets the value of the CSD Validation Hold Status to "Yes".

When receiving successfully revalidated LCMM Instructions that fulfil a new rule of a Restriction Processing Type "Party Hold", the function sets the value of the Party Hold Status to "Yes".

(...)

3.4.4 Instruction Maintenance

3.4.4.3 Description of the functions of the module

(...)

5 – Instruction Hold/Release

The function also processes release instructions related to the CSD Validation Hold and Party Hold Status of Settlement Instructions automatically put On Hold by T2S for additional validation of the relevant CSD **{T2S.05.127}**.

3.4.6 Status Management

3.4.6.2 Description of the module

(...)

Settlement Instruction status attributes

(...)

Party Hold Status (Settlement Instruction):

Indicates if the Settlement Instruction is set On Hold (either by the corresponding Party or because it fulfilled predefined conditions of the Restriction Processing Type "Party Hold") or Released (by the corresponding Party). Settlement Instructions with the Party Hold Status "Yes" are not submitted for settlement with the exception of those Settlement Instructions Partially Released which are submitted for partial settlement.

(...)

STATUS	DEFINITION	FROM MODULE (SET BY)	TO MODULE (USED BY)
No	Default value. The relevant T2S Party has not instructed the Settlement Instruction On Hold, <u>and there is not a Restriction Processing Type</u>	IVA / IMA / VPB / NTS	IMA / IVA / SQRA / SPS / STM

	<p><u>"Party Hold"</u> applicable for it.</p> <p>The relevant T2S Party releases the corresponding Settlement Instruction which was previously On Hold.</p>		
<p>Yes</p>	<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>The relevant T2S Actor instructs the Settlement Instruction and the "hold Release default" value of the Securities Account included in the Instruction is set to "Yes".</p> <p>When a Settlement Instruction is under a partial release process. The remaining quantity is still On Hold.</p> <p>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".</p> <p><u>Settlement Instruction has been set On Hold by T2S when the Settlement Instruction fulfils predefined conditions of the Restriction Processing Type "Party Hold".</u></p>		

(...)

4 – Data Collection for Messages

(...)

For Instruction Status Information related to setup of a CSD Validation Hold Status or a Party Hold Status, because of the identification of a Hold Restriction Type Rule applicable, the function collects, in addition, the information related to the CSD that set the rule, in order to compose the Message Data to inform both, the Instructing Party and the CSD accordingly

(...)

3.4.8 Settlement Instructions (SI) Use Cases

(...)

Criteria

CRITERIA (...)	POSSIBLE VALUES (...)	COMMENT (...)
Restriction Processing Type	Rejection, CSD Validation Hold, <u>Party Hold</u> , none	Derived from the Restriction Type to be applied to the Settlement Instruction

(...)

3.4.9.5 Processing of UC-SI-3: Intra CSD-Standard DVP with Matching

(...)

Alternative 2- Restriction Processing Type: CSD Validation Hold

If the Inbound LCMM Message I1 fulfils predefined conditions of a Restriction Processing Type of a CSD requiring T2S to hold the Settlement Instruction, then the Instruction Validation module:

- Creates the Settlement Instruction SI1 with the CSD Validation Hold status “Yes”;
- Stores the Settlement Instruction SI1 with all the above mentioned information;
- Sends the Instruction Status Information to the Status Management module so it can inform the T2SParty A via the Interface domain about the acceptance of its instruction, depending on its message sub-subscription preferences;
- Sends the Instruction Status Information to the Status Management module so that it can inform the CSD A that set the Restriction Type conditions fulfilled by the Inbound LCMM Message I1 and the T2SParty A about the status update of the instruction via the Interface domain. T2S Party B is not informed about the CSD Validation Hold status “Yes” until the Intended Settlement Date is reached.

Alternative 2- Restriction Processing Type: Party Hold

If the Inbound LCMM Message I1 fulfils predefined conditions of a Restriction Processing Type of a CSD requiring T2S to set the Settlement Instruction on Party Hold, then the Instruction Validation module:

- Creates the Settlement Instruction SI1 with the Party Hold status “Yes”;
- Stores the Settlement Instruction SI1 with all the above mentioned information;
- Sends the Instruction Status Information to the Status Management module so it can inform the T2SParty A via the Interface domain about the acceptance of its instruction, depending on its message subscription preferences;
- Sends the Instruction Status Information to the Status Management module so that it can inform the CSD A that set the Restriction Type conditions fulfilled by the Inbound LCMM Message I1 and the T2SParty A about the status update of the instruction via the Interface domain. T2S Party B is not informed about the Party Hold status “Yes” until the Intended Settlement Date is reached.

(...)

T2S UDFS:

1.2.1.8 Restriction types

[...]

Table 1 - Restriction matrix

CASE	RESTRICTION PROCESSING	OBJECT RESTRICTION TYPE	RESULTING ACTIONS IN T2S	RESPONSIBLE T2S ACTOR
Case 1	Rejection	Settlement Instruction/ Intra-Position Movement / Intra-Balance Movement ⁶	Rejection during the Business Validation application process of any Settlement Instruction/Settlement Restriction corresponding to criteria set in the associated parameter/rules. Their processing is definitively stopped.	CSD/CB
Case 1	CSD validation hold	Settlement Instruction	Automatic setting on hold during the Business Validation process of any Settlement Instruction corresponding to criteria set in the associated parameter/rules. Their processing is stopped waiting the release by the CSD.	CSD
<u>Case 1</u>	<u>Party hold</u>	<u>Settlement Instruction</u>	<u>Automatic setting on hold during the Business Validation process of any Settlement Instruction corresponding to criteria set in the associated parameter/rules. Their processing is stopped waiting the release by the CSD or the relevant T2S actor.</u>	<u>CSD</u>

[...]

As a result of the combined effect of the two restriction types when the two validity periods overlap, T2S allows all Settlement Instructions sent by a CSD, all Settlement Instructions on non-proprietary securities accounts, and Settlement Instructions on proprietary securities accounts only if they are sent by a CSD. For more details on the effect of negative and positive restriction types in the restriction validation process defined for the restriction processing types "Rejection", and "CSD validation hold" and "Party Hold", please see section [Business Validation](#) [215]. For more details on the effect of negative "Blocking" restriction types, please see the description of the fifth example below.

[...]

1.6.1.1.3 Validation process

(...)

- When an Amendment Instruction tries to amend the linkages of a Settlement Instruction or Settlement Restriction with a link type (i.e. tries to add a link), the corresponding link type regardless its processing position, must not exist for the referenced instruction.

⁶ Intra-Position Movement and Intra-Balance Movement are Settlement Restrictions.

I Specific Restriction Validation: T2S checks whether a restriction type case one (i.e. Rejection or CSD Validation Hold or Party Hold) applies over Settlement Instructions or Settlement Restrictions. Specific Restriction Validation is only performed in case the previous business validations have been successfully passed. This validation is further described in Specific restriction validation process

1.6.1.1.4 Specific restriction validation process

(...)

For this purpose, this process verifies whether any restriction type case one (i.e. Rejection or CSD Validation Hold or Party Hold, see section Restriction types [>39]) applies over a Settlement Instruction or a Settlement Restriction. Depending on the restriction type applied, T2S rejects or puts the corresponding instruction on CSD Validation Hold or Party Hold accordingly.

In order to do so, this process checks whether an instruction fulfils a Rejection restriction or, a CSD Validation Hold restriction or a Party Hold restriction defined by the relevant CSD or CB involved in its settlement (e.g. for a delivering Settlement Instruction T2S verifies the restrictions set by the delivering CSD of the instruction).

(...)

T2S checks the fulfilment of restriction types case one following a sequence that starts from the most restrictive restrictions (i.e. Rejection) to the less restrictive restrictions (i.e. CSD Validation hold and Party Hold) as described below:

(...)

I CSD Validation Hold: Only Settlement Instructions may fulfil a CSD Validation hold restriction since Settlement Restrictions cannot be set on Hold.

- Negative parameter value: in case one of its rules is fulfilled, the Settlement Instruction satisfies the exception, therefore it is not put on Hold and no subsequent checks are performed for any CSD Validation Hold restriction type;
- Positive parameter value: in case one of its rules is fulfilled no subsequent checks are performed for any CSD Validation Hold restriction type and the Settlement Instruction is accepted on hold by setting its CSD Validation Hold status to "Yes". In this case T2S puts the Settlement Instruction on CSD Validation Hold, until its release by the CSD. Even though the validity of the hold restriction expires, the Release Instruction from the CSD is needed to release it. The T2S Actor receives the corresponding Status Advice message informing on the successful validation and the CSD Validation Hold. This dialogue is reflected in section Send Settlement Instruction.

I Party Hold: Only Settlement Instructions may fulfil a Party Hold restriction since Settlement Restrictions cannot be set on Hold.

- Negative parameter value: in case one of its rules is fulfilled, the Settlement Instruction satisfies the exception, therefore it is not put on Hold and no subsequent checks are performed for any Party Hold restriction type;
- Positive parameter value: in case one of its rules is fulfilled no subsequent checks are performed for any restriction type and the Settlement Instruction is accepted on hold by setting its Party Hold status to "Yes". In this case T2S puts the Settlement Instruction on Party Hold, until its release by the T2S Party. Even though the validity of the hold restriction expires, the Release Instruction from the T2S Party is needed to release it. The T2S Actor receives the corresponding Status Advice message informing on the successful validation and the Party Hold. This dialogue is reflected in section Send Settlement Instruction.

EXAMPLE 68 - RESTRICTION CHECKING SEQUENCE

T2S follows the below sequence for checking the restrictions that apply in a Settlement Instruction:

(...)

Settlement Instruction 1 fulfils Rule 1 and therefore no further rules (Rule 2 and Rule 3) of the restriction type are checked. Depending on the parameter type (negative or positive) of the restriction type, T2S would apply/ would not apply the restriction. In case of a restriction type with positive parameter, T2S would apply the restriction (i.e. rejects or puts on CSD Validation Hold or on Party Hold the Settlement Instruction).

In case of a restriction type with negative parameter, T2S would not apply the restriction (i.e. does not reject or does not put on CSD Validation Hold or on Party Hold the Settlement Instruction).

(...)

EXAMPLE 70 - SPECIFIC RESTRICTION VALIDATION OVER A SETTLEMENT INSTRUCTION

(...)

EXAMPLE 73 - SPECIFIC RESTRICTION VALIDATION AND REALIGNMENT

(...)

1.6.1.1.5 Revalidation process

(...)

In the specific case of a creation of a new restriction rule, T2S only checks in the Specific restriction validation process this new configured rule, taking also into account whether the instruction has already fulfilled a restriction rule of the same restriction type (i.e. rejection- \neq , CSD Validation Hold or Party Hold) or not:

- In case of creation of a new rule of a rejection restriction (independently on the parameter value of the restriction i.e. positive or negative), T2S selects for revalidation only those Settlement Instructions and Settlement Restrictions that have not already fulfilled a rejection restriction with negative parameter value.
- In case of creation of a new rule of a CSD Validation Hold restriction with positive parameter value, T2S selects for revalidation only those Settlement Instructions that have not already fulfilled a CSD Validation Hold restriction with negative parameter value and that are not on CSD Validation Hold.
- In case of creation of a new rule of a CSD Validation Hold restriction with negative parameter value, T2S selects for revalidation all the Settlement Instructions that have not already fulfilled a CSD Validation Hold restriction with negative parameter value (including also those that are on CSD Validation Hold).
- In case of creation of a new rule of a Party Hold restriction with positive parameter value, T2S selects for revalidation only those Settlement Instructions that have not already fulfilled a Party Hold restriction with negative parameter value and that are not on Party Hold.
- In case of creation of a new rule of a Party Hold restriction with negative parameter value, T2S selects for revalidation all the Settlement Instructions that have not already fulfilled a Party Hold restriction with negative parameter value (including also those that are on Party Hold).

(...)

! When revalidating Settlement Instructions and Settlement Restrictions at the Start of Day, T2S only checks in the Specific restriction validation process those restriction rules with Valid From equal to the Current Business Day (i.e. becoming valid on the current business date) taking also into account whether the instruction has already fulfilled a restriction rule of the same restriction type or not:

- In case a rule of a CSD Validation Hold restriction with positive parameter value becomes valid, T2S checks the Settlement Instruction against the rule only if the Settlement Instruction has not already fulfilled a CSD Validation Hold restriction with negative parameter value and if the Settlement Instruction is not on CSD Validation Hold.
- In case a rule of a CSD Validation Hold restriction with negative parameter value becomes valid, T2S checks the Settlement Instruction against the rule only if the Settlement Instruction has not already fulfilled a CSD Validation Hold restriction with negative parameter value (independently on whether the instruction is on CSD Validation Hold).
- In case a rule of a Party Hold restriction with positive parameter value becomes valid, T2S checks the Settlement Instruction against the rule only if the Settlement Instruction has not already fulfilled a Party Hold restriction with negative parameter value and if the Settlement Instruction is not on Party Hold.

- In case a rule of a Party Hold restriction with negative parameter value becomes valid, T2S checks the Settlement Instruction against the rule only if the Settlement Instruction has not already fulfilled a Party Hold restriction with negative parameter value (independently on whether the instruction is on Party Hold).

T2S cancels immediately all the instructions identified as invalid in their revalidation. I.e. at the end of the revalidation process, if the instruction does not pass successfully the validations, T2S cancels the instruction, and informs the T2S Actor accordingly. In case of unsuccessful revalidation of a Matched Settlement Instruction, T2S also cancels the counterpart Settlement Instruction.

T2S does not send any information to the T2S Actor if the revalidation is successful unless a CSD Validation Hold or Party Hold is detected during the revalidation process.

(...)

EXAMPLE 76 - REVALIDATION AT START OF DAY

The CSD "Eurosettlement" has defined in Reference Data a positive restriction type to put on CSD Validation hold Settlement Instructions fulfilling any of the criteria provided in the ad-hoc rule set that includes two rules:

(...)

1.6.1.6 Hold and release

1.6.1.6.1 Concept

(...)

Additionally, T2S automatically puts a Settlement Instruction on Hold if it fulfils any restriction defined by the CSDs, known as CSD Validation Hold or Party Hold (See section Business Validation [> 215]) or if it is identified as a CoSD on the Intended Settlement Date (See section Conditional Settlement [> 424]).

(...)

1.6.1.6.2 Overview

In addition to the indicators that can be filled by the T2S Actors, there are ~~two~~ three hold indicators that T2S puts automatically:

- CSD Validation Hold;
- Party Hold^{XXX};
- CoSD Hold

Foot note XXX to be added:

Party Hold indicator can be i) instructed by the T2S actor ii) put automatically by T2S upon the fulfilment of a restriction type case 1 or, iii) put automatically by T2S if it has not been set and the "Hold Release Default" value of the Securities Account included in the instruction is set to "Yes".

(...)

In case of a Settlement Instruction put on Hold by T2S due to a CSD Validation Hold, it can only be released by the relevant CSD that defined the rule (See section [Business Validation \[} Error! Bookmark not defined.\]](#)).

(...)

1.6.1.10 Realignment process

(...)

Validity of T2S generated realignment Settlement Instructions

Once generated, the T2S realignment Settlement Instructions, are subject to other T2S processes as any other

Settlement Instruction ²³⁷. Furthermore, in order to ensure the consistency of the realignment process, the following principles are implemented:

Foot note 236 to be modified:

The Party Hold based on "hold" flag in static data or on the fulfilment of a positive rule of a RT of Party Hold, only applies to instructions received from T2S Actor, and therefore does not apply to T2S generated settlement instructions (for realignment, collateral...).

2.3.3.2 Specific Restriction Validation

T2S checks whether the Settlement Instruction is under a rejection restriction or a CSD Validation Hold or Party Hold restriction set by the relevant CSD (See section Specific restriction validation process). For this purpose, T2S verifies first whether a rejection restriction applies, the result of the check can be:

(...)

l **[No Rejection Restriction applied]** If no rejection restriction is applied, then T2S checks whether a CSD Validation Hold restriction or a Party Hold restrictions applies. The result of the check can be:

- **[CSD Validation Hold restriction applied and Party Hold Restriction applied]** T2S sets the instruction on Party Hold and on CSD Validation Hold and sends an "Accepted with Hold" SecuritiesSettlementTransactionStatusAdvice to inform the T2S Actor (Instructing party) that its Settlement Instruction has been accepted and automatically put on Party Hold and on CSD Validation Hold together with the relevant rule ID of the positive restrictions that have been fulfilled and continues with its processing.
- If the Settlement Instruction has fulfilled a rule of a negative rejection restriction, T2S also informs on the rule ID fulfilled.
- If the Settlement Instruction fulfils the condition to be put on hold at its acceptance because the instructing party has sent the instruction with the CSD Hold status set to 'yes', T2S also informs that this hold applies to the Settlement Instruction together with the CSD Validation Hold and the Party Hold.
- If the Settlement Instruction is already matched, T2S also informs on the same message that the Settlement Instruction is matched, together with the T2S Matching Reference assigned to both Settlement Instructions conveying the already matched and the T2S Reference and Account Owner Reference of the counterparty's instruction;
- **[CSD Validation Hold Restriction applied and no Party Hold Restriction applied]** T2S sets the instruction on CSD Validation Hold and sends an "Accepted with CSD Validation Hold" SecuritiesSettlementTransactionStatusAdvice to inform the T2S Actor (Instructing party) that its Settlement Instruction has been accepted and automatically put on CSD Validation Hold together with the relevant rule ID of a positive CSD Validation Hold restriction that has been fulfilled and continues with its processing.
- If the Settlement Instruction has fulfilled a rule of a negative rejection restriction and / or a rule of a negative Party Hold restriction, T2S also informs on the rule IDs fulfilled.
- If the Settlement Instruction fulfils any of the three conditions stated below to be put on hold at its acceptance in T2S, T2S also informs of the different hold types that apply to the Settlement Instruction together with the CSD Validation Hold.
- If the Settlement Instruction is already matched, T2S also informs on the same message that the Settlement Instruction is matched, together with the T2S Matching Reference assigned to both Settlement Instructions conveying the already matched and the T2S Reference and Account Owner Reference of the counterparty's instruction;
- **[No CSD Validation Hold Restriction applied and Party Hold Restriction applied]** T2S sets the instruction on Party Hold and sends an "Accepted with Hold" SecuritiesSettlementTransactionStatusAdvice to inform the T2S Actor (Instructing party) that its Settlement Instruction has been accepted and automatically put on Party Hold together with the relevant rule ID of a positive Party Hold restriction that has been fulfilled and continues with its processing.
- If the Settlement Instruction has fulfilled a rule of a negative rejection restriction and/or a rule of a negative CSD Validation Hold restriction, T2S also informs on the rule ID(s) fulfilled.

- If the Settlement Instruction fulfils the condition to be put on hold at its acceptance because the instructing party has sent the instruction with the CSD Hold status set to 'yes', T2S also informs that this hold applies to the Settlement Instruction together with the Party Hold.
- If the Settlement Instruction is already matched, T2S also informs on the same message that the Settlement Instruction is matched, together with the T2S Matching Reference assigned to both Settlement Instructions conveying the already matched and the T2S Reference and Account Owner Reference of the counterparty's instruction;
- **[No CSD Validation Hold restriction applied and no Party Hold Restriction applied]** If neither a CSD Validation Hold restriction nor a Party Hold restriction is applied, then T2S sends either an "Accepted" SecuritiesSettlementTransactionStatusAdvice to inform the T2S Actor (Instructing party) that its Settlement Instruction has been accepted, or an "Accepted with Hold" SecuritiesSettlementTransactionStatusAdvice to inform the T2S Actor (Instructing party) that its Settlement Instruction has been accepted and put on hold at its acceptance in T2S, depending on whether the Settlement Instruction fulfils any of the three conditions stated below to be put on hold or not. In any case, T2S continues processing the Settlement Instruction.
- If the Settlement Instruction has fulfilled a rule of a negative rejection restriction, a rule of a negative CSD Validation Hold or a negative Party Hold restriction, T2S also informs on the rule ID(s) fulfilled.
- If the Settlement Instruction is already matched, T2S also informs on the same message that the Settlement Instruction is matched together with the T2S Matching Reference assigned to both Settlement Instructions conveying the already matched and the T2S Reference and Account Owner Reference of the counterparty's instruction.

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) but the "Hold Release default" value of the Securities Account included in the Instruction is set to "Yes".

3.3.6.5.3 The message in business context

(...)

Message usage: Accepted

(...)

| Code – 'OTHR' ISO code when the Settlement Instruction is accepted fulfilling a rule of a negative restriction (rejection₁ ~~and/or~~ CSD Validation Hold and/or Party Hold);

| AdditionalReasonInformation –rule ID, Restriction type name and description₁ identifying a negative restriction fulfilled (rejection₁ ~~and/or~~ CSD Validation Hold and/or Party Hold);

| NoSpecifiedReason – 'NORE' ISO code when the Settlement Instruction is accepted not fulfilling any rule of a negative restriction (rejection₁ ~~and/or~~ CSD Validation Hold and/or Party Hold);

(...)

MESSAGE ITEM	DATA TYPE/ CODE	UTILISATION
...
NoSpecifiedReason Document/SctiesSttImTxStsAdvC/ PrcgSts/AckdAcpt d/NoSpfdRsn	NoReasonCode	When accepted not fulfilling any rule of a negative restriction (rejection, and/or CSD Validation Hold <u>and/or Party Hold</u>), the only possible value is NORE
Code Document/SctiesSttImTxStsAdvC/ PrcgSts/AckdAcpt d /Rsn/Cd/Cd	AcknowledgementReason5Code	When accepted fulfilling a rule of a negative restriction (rejection, and/or CSD Validation Hold <u>and/or Party Hold</u>), the only possible value is OTHR.
AdditionalReasonInformation Document/SctiesSttImTxStsAdvC/ PrcgSts/AckdAcpt d /Rsn/AddtlRsnInf	RestrictedFINXMax210Text	When accepted fulfilling a rule of a negative restriction (rejection, and/or CSD Validation Hold <u>and/or Party Hold</u>), rule ID, restriction type name and the description of a negative restriction (rejection, and/or CSD Validation Hold <u>and/or Party Hold</u>).
...

Message usage: Accepted with Hold

(...)

I Code – “OTHR” ISO code when the Settlement Instruction is accepted fulfilling a rule of a negative restriction rejection, ~~and/or~~ CSD Validation Hold, and/or Party Hold);

I AdditionalReasonInformation – rule ID, restriction type name and description identifying a negative restriction fulfilled (rejection, ~~and/or~~ CSD Validation Hold, and/or Party Hold);

I NoSpecifiedReason – ‘NORE’ ISO code when the Settlement Instruction is accepted not fulfilling any rule of a negative restriction (rejection, ~~and/or~~ CSD Validation Hold, and/or Party Hold);

(...)

MESSAGE ITEM	DATA TYPE/ CODE	UTILISATION
NoSpecifiedReason Document/SctiesSttImTxStsAdvC/ PrcgSts/AckdAcpt d/NoSpfdRsn	NoReasonCode	When accepted not fulfilling any rule of a negative restriction (rejection, and/or CSD Validation Hold <u>and/or Party Hold</u>), the only possible value is NORE
Code Document/SctiesSttImTxStsAdvC/ PrcgSts/AckdAcpt d /Rsn/Cd/Cd	AcknowledgementReason5Code	When accepted fulfilling a rule of a negative restriction (rejection, and/or CSD Validation Hold <u>and/or Party Hold</u>), the only possible value is OTHR.
AdditionalReasonInformation Document/SctiesSttImTxStsAdvC/	RestrictedFINXMax210Text	When accepted fulfilling a rule of a negative restriction (rejection, and/or CSD

MESSAGE ITEM	DATA TYPE/ CODE	UTILISATION
PrcgSts/AckdAccpt d/Rsn/AddtlRsnInf		Validation Hold <u>and/or Party Hold</u> , rule ID, restriction type name and the description of a negative restriction (rejection, <u>and/or</u> CSD Validation Hold <u>and/or Party Hold</u>).
...

Message usage: Accepted fulfilling a rule of a positive restriction of CSD Validation Hold and/ or of Party 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 and/ or Party Hold at its acceptance in T2S because it fulfils any rule of a positive CSD Validation Hold or Party Hold restriction previously set by the CSD in T2S.

The SecuritiesSettlementTransactionStatusAdviceV03 informs the Accepted status and the Pending or Failing status (due to the CSD Validation Hold or Party Hold) in the same message. Additionally, if other type of hold applies to the Settlement Instruction at acceptance, T2S also informs of the different hold types that apply to the Settlement Instruction. (i.e. the Settlement Instruction has been sent with the CSD Hold status set to "Yes" or if the Settlement Instruction does not fulfil a rule of a positive restriction of Party Hold but it was submitted with the Party Hold status set to "Yes" or 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.

(...)

I Code – ISO Code that indicates that the instruction is on CSD Validation Hold ("CVAL") and/or Party Hold ("PREA") depending on the Restriction Processing Type of the rule fulfilled. Additionally, the message includes the ISO code "CSDH" for CSD Hold or/and "PREA" for Party Hold if applicable;

I AdditionalReasonInformation – text comprising a combination of the relevant Business Rule name, the rule ID, the restriction type name and description of a positive CSD Validation Hold or Party Hold restriction fulfilled;

(...)

I AdditionalInformation –Rule Id, restriction type name and description of a positive CSD Validation Hold ("CVAL") or Party Hold ("PTYH") restriction fulfilled.

(...)

MESSAGE ITEM	DATA TYPE/ CODE	UTILISATION
...
AdditionalReasonInformation Document/SctiesSttlmTxStsAdv SttlmSts/Pdg/Rsn/ AddtlRsnInf	RestrictedFINXMax210Text	Business rule, error description and rule ID, restriction type name and the description of a positive CSD Validation Hold <u>or Party Hold</u> restriction fulfilled
AdditionalReasonInformation Document/SctiesSttlmTxStsAdv SttlmSts/Fng/Rsn/AddtlRsnInf	RestrictedFINXMax210Text	Business rule, error description and rule ID, restriction type name and the description of a positive CSD Validation Hold <u>or Party Hold</u> restriction fulfilled

MESSAGE ITEM	DATA TYPE/ CODE	UTILISATION
...
AdditionalInformation Document/SciesSttImTxStsAdv TxDtIs/SttImParam s/HldInd/Rsn/AddtlInf	RestrictedFINXMax210Text	Rule ID, restriction type name and its description (for CVAL or PTYH)

Message usage: Fulfilling a rule of a positive CSD Validation Hold or Party Hold Validation Hold restriction

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

The SecuritiesSettlementTransactionStatusAdvice informs the Pending or Failing status (due to the CSD Validation Hold or the Party Hold) in the same message.

(...)

- | Code – ISO Code that indicates that the instruction is on CSD Validation Hold (“CVAL”) or on Party Hold (“PREA”):
- | AdditionalReasonInformation – text comprising a combination of the relevant Business Rule name and the rule ID, restriction type name and the description of a positive CSD Validation Hold or Party Hold restriction fulfilled;
- | HoldIndicator – set to “True”;
- | HoldIndicator/Code – ISO Code that indicates that the instruction is on CSD Validation Hold (“CVAL”) or on Party Hold (“PTYH”). Additionally, the message includes the ISO code “CSDH” for CSD Hold.
- | AdditionalInformation – Rule Id, restriction type name and the description of a positive CSD Validation Hold restriction fulfilled (“CVAL”) or a positive Party Hold restriction fulfilled.

(...)

Message Item	Data Type/ Code	Utilisation
...
Code Document/SciesSttImTxStsAdv/SttImSts/Pdg /Rsn/Cd/Cd	PendingReason2Code	When the instruction can settle on its ISD, “CVAL” or “PREA” for CSD Validation Hold depending on the rule fulfilled
Code Document/SciesSttImTxStsAdv/SttImSts/Flng /Rsn/Cd/Cd	FailingReason2Code	When the instruction can no longer settle on its ISD, “CVAL” for CSD Validation Hold or “PREA” depending on the rule fulfilled

Message Item	Data Type/ Code	Utilisation
AdditionalReasonInformation Document/SciesSttlmTxStsAdvc/SttlmSts/Pdg/Rsn/AddtlRsnInf	RestrictedFINXMax210Text	Business rule, error description and rule ID, restriction type name and the description of a positive CSD Validation Hold or Party Hold restriction fulfilled
AdditionalReasonInformation Document/SciesSttlmTxStsAdvc/SttlmSts/Fin g/Rsn/AddtlRsnInf	RestrictedFINXMax210Text	Business rule, error description and rule ID, restriction type name and the description of a positive CSD Validation Hold or Party Hold restriction fulfilled
Indicator Document/SciesSttlmTxStsAdvc/TxDtls/Sttlm Params/HldInd/Ind	YesNoIndicator	The only possible value is TRUE
Code Document/SciesSttlmTxStsAdvc/TxDtls/Sttlm Params/HldInd/Rsn/Cd/Cd	Registration2Code	"CVAL" for CSD Validation Hold and "PTYH" for Party Hold
AdditionalInformation Document/SciesSttlmTxStsAdvc/TxDtls/Sttlm Params/HldInd/Rsn/AddtlInf	RestrictedFINXMax210Text	Rule ID, restriction type name and description (for CVAL)

Message usage: Other Hold remain(s)

(...)

I AdditionalReasonInformation –Rule ID, restriction type name and the description of a rule of a positive restriction for a "CSD Validation Hold" or "Party Hold"; or CoSD rule fulfilled, for a "CoSD Hold".

(...)

I AdditionalInformation – text comprising a combination of a short description of the error, rule id, restriction type name and the description of the CSD Validation Hold rule fulfilled for a "CVAL" ISO Code, Party Hold rule fulfilled for a "PTYH" ISO Code or CoSD rule id, rule set name and the description for a "CDEL" ISO Code.

MESSAGE ITEM	DATA TYPE / CODE	UTILISATION
...
AdditionalReasonInformation Document/SciesSttlmTxStsAdvcsSttlmSts/Pdg/Rsn/ AddtlRsnInf	RestrictedFINXMax210Text	Rule ID, restriction type name and the description (for CVAL and PREA) Rule ID, CoSD rule set name and the description (for PRSY)
AdditionalReasonInformation Document/ SciesSttlmTxStsAdvcsSttlmSts/FIng/Rsn/ AddtlRsnInf	RestrictedFINXMax210Text	Rule ID, restriction type name and the description (for CVAL and PREA) Rule ID, CoSD rule set name and the description (for PRSY)
...
AdditionalInformation Document/ SciesSttlmTxStsAdvcsTxDtIs/SttlmParams/HIdInd/Rsn/AddtlInf	RestrictedFINXMax210Text	Rule ID, restriction type name and the description (for CVAL and PTYH) Rule ID, CoSD rule set name and the description (for CDEL)
...

Message usage: Matched

(...)

I AdditionalReasonInformation – in case the Code is CVAL text comprising a combination of the relevant Business Rule name, the rule ID, the restriction type name and description of a positive CSD Validation Hold restriction fulfilled, or in case the Code is PREA and a Party Hold restriction has been fulfilled.

(...)

MESSAGE ITEM	DATA TYPE/ CODE	UTILISATION
...
AdditionalReasonInformation Document/SctiesSttImTxStsAdvC/ SttImSts/Pdg/Rsn/ AddtlRsnInf	RestrictedFINXMax210Text	In case of Pending Reason CVAL, or PREA <u>due to a Party Hold restriction fulfilled:</u> Business rule name, and rule ID, restriction type name and its description
AdditionalReasonInformation Document/SctiesSttImTxStsAdvC/ SttImSts/Fng/Rsn/ AddtlRsnInf	RestrictedFINXMax210Text	In case of Failing Reason CVAL, or PREA <u>due to a Party Hold restriction fulfilled:</u> Business rule name, and rule ID, restriction type name and its description
...

4.1 Index of Business Rules and Error Codes

<u>MVSR711</u>	<u>A Settlement Instruction that fulfils a specific restriction configured by its System Entity with positive Restriction Processing Type "Party Hold" is accepted, and its Party Hold Status is set to "Yes".</u>	<u>sese.023</u>	<u>sese.024</u>	<u><Pdg> or <Fng></u>	<u>PREA</u>	
<u>MVSR712</u>	<u>A Settlement Instruction that fulfils a specific restriction configured by its System Entity with negative Restriction Processing Type "Party Hold" is accepted, and its Party Hold Status is set to "No".</u>	<u>sese.023</u>	<u>sese.024</u>	<u><Ackdaccpt d></u>	<u>OTHR</u>	

CRDM UDFS:**1.3.10 Restriction type management**

[...]

1. Restriction Type

Restriction Type	It specifies a code defined by the CRDM Operator, CSD or CB to identify the restriction.
Restriction Description	Description of the restriction.
Valid From	It specifies the date from which the restriction type is valid.
Valid To	It specifies the date to which the restriction type is valid.

Object Restriction Type	<p>It specifies a classification for the object type on which the restriction applies. The exhaustive list of possible values is as follows:</p> <ul style="list-style-type: none"> Party Cash Account Security Securities Account Securities Position Cash Balance External RTGS Account Settlement Instruction Intra-Position Movement Instruction Intra-Balance Movement Instruction
Restriction Processing Type	<p>It specifies a classification for the type of processing that shall apply for the restriction. The exhaustive list of possible values is as follows:</p> <ul style="list-style-type: none"> Blocking: blocking of a party, cash account, securities account or security from settlement; blocking of Securities Position or Cash Balance for a specific purpose Rejection: rejection in Settlement Instruction validation CSD Validation Hold: setting the CSD validation status automatically to "Hold" when accepting a Settlement Instruction <u>Party Hold: setting the Party Hold status automatically to "Hold" when accepting a Settlement Instruction</u> Reservation: creating a reservation of a Cash Balance or a Securities Position for a specific purpose Balance Type / Earmarking: define and manage position types for Securities Positions Earmarking for Auto-collateralisation: specific earmarking for auto-collateralisation Deliverable: without any restriction Collateralised: used for sub-pledged collateral transactions CoSD Blocking: it does not support any partial execution
Positive / Negative Parameter Set	<p>It specifies whether the rules of the restriction type represent a positive or negative set of parameters. A positive</p>

parameter set shall specify the conditions requiring the system to apply the restriction. A negative parameter set shall specify the conditions for which the system shall not apply the restriction.

1.4.3.3 Validity of common reference data objects
[...]

Table 2 - Common Reference Data Objects with Limited Validity Period

[...]					
Securities	Securities Valuation Party ⁸	Validity date may take the value of the current date.	n/a	n/a	Taken into account by the settlement application process Realignment, CoSD, Optimising, Posting as of the next business date

4.5.3.22 Restriction Type - New
Record Type: "Restriction Type"
The record is used to create a restriction type.
The function is available for T2S only.

Flat file	Excel	Column Name	Format	Description	Rules	Occurs per	Occurs per
[...]							

8 When creating a Restriction type on date d, if the specified Restriction Processing Type is 'Rejection', or 'CSD Validation Hold' or 'Party Hold', the validity date can take the value of d+2 at the earliest. In all other cases it can take the value of d+1 at the earliest.

Flat file	Excel	Column Name	Format	Description	Rules	Occurs per	Occurs per
8	H	Restriction Processing Type	Possible values: BALA BLCK COLL COSD VAHO <u>PAHO</u> DELI REJE RESE	Possible values: BALA = Balance Type / Earmarking BLCK = Blocking COLL = Collateralized COSD = CoSD Blocking VAHO = CSD Validation Hold <u>PAHO = Party Hold</u> DELI = Deliverable REJE = Rejection RESE = Reservation			1..1
[...]							

T2S UHB:**1.2.3 Validation**

(...)

Success Message

(...)

In case a Settlement Instruction fulfils a CSD validation hold or Party Hold restriction type case one positive rule, the success message provided in the GUI will also contain the relevant rule id fulfilled, the restriction type name and its description, in addition to the relevant error message applicable as described in the error messages annex of the UHB (list of references for error messages).

If the Settlement Instruction fulfils a rejection and/or CSD validation hold or Party Hold restriction type case one negative rule, the success message provided in the GUI will also contain the relevant rule id fulfilled, the restriction

type name and its description. The same applies in case a Settlement Restriction fulfils a rejection restriction type one negative rule.

(...)

2.2.2.17 Settlement Instructions - Search/List Screen

(...)

CSD Validation Hold Status	Settlement Instructions – Search Criteria Select the party <u>CSD Validation hold</u> status from the possible values: I All (default value) I No I Yes
----------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(...)

CRDM UHB Book 1:
2.3.5.1 Restriction Types – Search/List Screen

[...]

Fields
Description

Restriction Types – Search Criteria	
Object Restriction Type	Select the object restriction type from the possible values: <input type="checkbox"/> All (default value) <input type="checkbox"/> Cash balance <input type="checkbox"/> External RTGS account <input type="checkbox"/> Intra-Position Movement instruction <input type="checkbox"/> Intra-Balance Movement instruction <input type="checkbox"/> Party <input type="checkbox"/> Security <input type="checkbox"/> Securities account <input type="checkbox"/> Securities position <input type="checkbox"/> Settlement instruction <input type="checkbox"/> Cash Account

Restriction Processing Type	<p>Select the restriction processing type from the drop-down menu from the possible values:</p> <ul style="list-style-type: none"> All (default value) Balance Type / Earmarking Blocking Collateralized CoSD Blocking CSD Validation Hold Deliverable Earmarking for Auto-collateralization <u>Party Hold</u> Rejection Reservation
Positive / Negative Parameter Set	<p>Select the Positive/Negative parameter set from the drop-down menu from the possible values:</p> <ul style="list-style-type: none"> All (default value) Positive Negative

[...]

2.3.5.3 Restriction Type – New/Edit Screen

[...]

**Fields
Description**

Restriction Type	
[...]	
Restriction Processing Type	<p>Select the restriction processing type from the drop-down menu from the possible values:</p> <ul style="list-style-type: none"> Balance Type / Earmarking Blocking Collateralized CoSD Blocking CSD Validation Hold Deliverable Earmarking for Auto-collateralization <u>Party Hold</u> Rejection Reservation <p>For TIPS, T2 CLM and T2 RTGS only “Blocking” is available. This field is mandatory in create mode. This field is read-only in edit mode. Reference for error messages:</p> <ul style="list-style-type: none"> DRCL007 DRCL100 DRCL101 DRCL102

	<ul style="list-style-type: none"> DRCL103 DRCL104 DRCL106
[...]	

[...]

4.3.2.82 Restriction Type – New/Edit Screen

Reference for error message	Field or Button	Error Text	Description
DRCL007	<ul style="list-style-type: none"> Valid From field Restriction Processing Type field Submit button 	“Valid From” invalid	When performing a Restriction Type create request, if the specified Restriction Processing Type is 'Rejection', or 'CSD Validation Hold' or 'Party Hold', the specified Valid From must be greater than the date following the current. In all other cases the specified Valid From must be greater than the current date. The Service Operator can skip this check in contingency situations.
DRCL101	<ul style="list-style-type: none"> Restriction Processing Type field Object Restriction Type field Submit button 	Object Restriction Type and Restriction Processing Type do not match	When performing a Restriction Type create request, if Restriction Processing Type is set to “CSD validation hold” or 'Party Hold', the Object Restriction Type can be only set to “Settlement Instruction”
DRUL005	<ul style="list-style-type: none"> Submit button 	Data to be updated not found	<p>When performing a Restriction Type update request, it must refer to an existing, active and open or future instance. If the Restriction Type is open, only the Valid To can be updated (The Service Operator can skip this check in contingency situations).</p> <p>An 'open' Restriction Type is defined as follows:</p> <ul style="list-style-type: none"> - If Restriction Processing Type is 'Rejection', or 'CSD Validation Hold' or 'Party Hold' the Valid from must be less than or equal to the business date following the current - In all other cases, the Valid From must be less than or equal to the current date.
DRUL007	<ul style="list-style-type: none"> Valid From field Submit button 	“Valid From” invalid	When performing a Restriction Type update request, the Valid From can only be updated if it is greater than the current date; the specified Valid From must be greater than the current date as well. For Restriction Types with Restriction Processing Type 'Rejection', or 'CSD Validation Hold' or 'Party Hold' the Valid From must be greater than the date following the current. Furthermore the Valid From, if updated, must be

Reference for error message	Field or Button	Error Text	Description
			smaller than or equal to the Valid From of all the Restriction Type Rules. The T2S Operator can skip this check in contingency situations.
DRUL008	<ul style="list-style-type: none"> ■ Valid To field ■ Submit button 	"Valid To" invalid	When performing a Restriction Type update request, the specified Valid To must be greater than or equal to the current date and greater than the existing Valid From or the one possibly specified in input. For Restriction Types with Restriction Processing Type 'Rejection', 'CSD Validation Hold' or 'Party Hold' the Valid To must be greater than the date following the current. Furthermore it must be greater than or equal to the Valid To of all the Restriction Type Rules defined. The T2S Operator can skip this check in contingency situations.

4.3.2.83 Restriction Types Rule – New/Edit screen

Reference for error message	Field or Button	Error Text	Description
DRCX006	<ul style="list-style-type: none"> ■ Submit button 	Invalid Restriction Processing Type	When performing a Restriction Type Rule Create request, the Restriction Processing Type of the related Restriction Type must be "Rejection", "CSD Validation Hold", 'Party Hold' or "Blocking". In case the Restriction Processing Type is 'Rejection', the Object Restriction Type must not be equal to 'Securities Account' or 'T2S Dedicated Cash Account'.

Preliminary assessment:

Findings:

- **Financial Impact:** High
- **Impacted modules:** LCMM, CRDM
- **Impact on other Eurosystem Services or Projects:** No impact on T2, TIPS or ECMS
- **Risk analysis:** No risks have been identified during PA

In LCMM:

- The implementation of the new case one restriction type "Party hold" will require a redesign of the Specific Restriction validation process.
- In order to process the new case one restriction type "Party hold" analogously to the treatment that is done for CSD Validation Hold, the Instruction Validation module will require several adaptations in many of its functions.
- The Status Management and the Instruction Maintenance modules will also need several adaptations.
- The relevant LCMM internal flows will have to be adjusted.
- It will be analysed if changes are required in the communication of Restriction Type data (creation and updates) from CRDM, depending on the implementation approach finally followed.
- In terms of reporting, no changes will be made to the current message usages of sese.024.

- The implementation of the new case one restriction type “Party hold” will not imply the use of a new specific Hold Indicator (i.e. the existing Party Hold Indicator will be used).

In CRDM:

Introduction of new Restriction Processing Type ‘Party Hold’. The allowed parameters type in the Restriction type Rule are

- Securities Movement Type
- Payment
- Transaction Identification
- Securities Account Owner Party Type
- Instructing Party type
- Party BIC
- ISIN
- Matching status
- Debited Position/Balance
- Credited Position/Balance
- Securities Account Number
- Credit Debit Indicator
- Country of Issuance
- Settlement Currency
- Market-specific Security attribute Name (Attribute Type Party or Security)

Introduction of new business rule in create mode for Restriction Type in order to check the allowed Object Restriction type for Restriction Processing Type ‘Party Hold’.

Introduction of ‘Party Hold’ to Business rule DRXC006 for Restriction Type Rule.

Introduction of Business Rule that forbids the selection MSA with Attribute Type ‘Party’ for Restriction processing type ‘Party Hold’.

Introduction of further business rules for Restriction Type Rule depending on the validations on the parameter types/Object restriction type/Restriction Processing type

...

- **Open issues/ questions to be clarified by the originator:**
 - MSA is available as predicate only when object restriction type is equal to Settlement Instruction, Intra-position movement and Intra-balance movement. Are these object restriction types allowed for Restriction processing type ‘Party Hold’?
 - In general, which are the allowed object restriction types for the new Restriction processing type?
 - Likewise for ‘CSD Validation Hold’, the Valid From of ‘Party Hold’ must be greater than the date following the current date and the object restriction type must be “Settlement Instruction”?

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION

LCMM			
X	Instructions validation		
X	Status management		
	Instruction matching		
X	Instructions maintenance		
	Penalty Mechanism		
Settlement			
	Standardisation and preparation to settlement		
	Night-time Settlement		
	Daytime Recycling and optimisation		
	Daytime Validation, provisioning & booking		
	Auto-collateralisation		
Liquidity Management			
	Outbound Information Management		
	NCB Business Procedures		
	Liquidity Operations		
T2S Interface		Eurosystem Single Market Infrastructure Gateway (from R6.0 June 2022)	
	Communication		Communication
	Outbound Processing		Outbound Processing
	Inbound Processing		Inbound Processing
Static Data Management (until June 2022)		Common Reference Data Management (from R6.0 June 2022)	
	Party data management		Party data management
	Securities data management		Securities data management
	Cash account data management		Cash account data management
	Securities account data management		Securities account data management
	Rules and parameters data management	X	Rules and parameters data management
Statistics and archive		Statistics and archive	
	Statistical information (until June 2022)		Short term statistical information
	Legal archiving (until June 2022)		Legal archiving (from R6.0)
			Data Warehouse (from R6.0)
Information (until June 2022 containing reference data)		CRDM business interface (from R6.0 June 2022)	
	Report management		Report management
	Query management		Query management
			Communication
			Outbound Processing
			Inbound Processing
Operational Services			
	Data Migration (T2S DMT)	X	Data Migration (CRDM DMT, from R6.0)
	Scheduling (until June 2022)		Business Day Management (from R6.0)
			Business Day Management business interface (from R6.0)
	Billing (until June 2022)		Billing (from R6.0)
			Billing business interface (from R6.0)
	Operational Monitoring		Operational and Business Monitoring
	MOP Contingency Templates		

Impact on major documentation

	Actions) – Search/List Screen (T2S Operator only) CRDM UHB Book 1: 2.3.5.1 Restriction Types – Search/List Screen 2.3.5.3 Restriction Type – New/Edit Screen 4.3.2.82 Restriction Type – New/Edit Screen 4.3.2.83 Restriction Types Rule – New/Edit screen	
External training materials		No impact
Other impacted documentation (FA Sch. 05, FA Sch. 07)		No impact
Impacted GDPR message/ screen fields		No impact
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

Introduction of new restriction processing type 'Party Hold' for Restriction Type in CRDM and related validation rules. The validation rules currently applied to Restriction Processing Type 'CSD Validation Hold' needs to be adapted for the 'Party Hold' type. In particular business rules DRCL007, DRCL101, DRUL005, DRUL007, DRUL008 will be adapted including the validation also in case of 'Party Hold' Restriction Processing Type. The new code "Party Hold" (PAHO) will also be available in Data migration tool when creating a new restriction type.

Amendment of business rule DRCX006 introducing the new Restriction Processing type.

LCMM Messages:

- No new message usages of sese.024 will be created.
- The current sese.024 message usages will be adapted in order to inform, when applicable, the rule ID, restriction type name and description identifying a negative/positive Party Hold restriction type fulfilled.

Instruction Validation:

A new case one restriction type "Party hold" will be considered in the Specific Restriction validation process.

In order to process the new case one restriction type "Party hold" analogously to the treatment that is done for CSD Validation Hold, the following new BRs have to be created:

- MVS711: A Settlement Instruction that fulfils a specific restriction configured by its System Entity with positive Restriction Processing Type "Party Hold" is accepted, and its Party Hold Status is set to "Yes". This BR will be informed together with the pending/failing reason code 'PREA' in the status advice message (sese.024) when an instruction fulfils a positive RT of Party Hold
- MVS712: A Settlement Instruction that fulfils a specific restriction configured by its System Entity with negative Restriction Processing Type "Party Hold" is accepted.

The logic to determine whether the combination of parameters contained in a Settlement Instructions fulfils any rule of the new case one restriction type "Party hold" configured by the CSDs will be implemented analogously to the logic of the restriction type "CSD Validation Hold".

The new restriction type "Party hold" will be checked with the least priority, i.e. after the restriction types 'Rejection' and "CSD Validation Hold" have been checked, and following the same rules and order in terms of Positive/Negative parameter as for Restriction Type "CSD Validation Hold".

Even if a positive or negative rule of restriction type CSD Validation Hold has been fulfilled by a Settlement Instruction, the new restriction type "Party hold" will be checked.

All aspects (behaviour, logic...) related to settlement instructions Revalidation will be implemented analogous to the current behaviour of the restriction type "CSD Validation Hold".

No new specific Hold should be created, the effect of the new restriction type "Party hold" should be reflected in the already available "Party Hold".

Status Management:

Status Management module will be updated in order to collect additional information also for settlement instructions that fulfil the new RT "Party Hold" and forward them the Outbound Processing module.

The functionality introduced with CR-525 (Provide Restriction Type name and description in reason code due to Market Specific Restriction Types) will only be adapted so that it also applies for the new RT "Party Hold". Apart from that, no changes will be applied.

No changes will be applied to the management of the Settlement Instruction "Party Hold Status".

Main cost drivers

- Implementation of the new restriction processing type 'Party Hold' for Restriction Type in CRDM and amendment of and creation of new validation rules. Adaptations in LCMM processes/functions and modules (Validation module, Status Management module, the Instruction Maintenance module) to consider the new restriction type.[40%]
- Extensive testing campaign of the new restriction type [40%]
- Update of the relevant documentation [15%]

Impact on other TARGET Services and projects

No impact on T2, TIPS or ECMS identified

Summary of project risk

No risks identified

Security analysis

No adverse effect has been identified during security assessment



13 August 2024

Cost assessment on Change Requests

T2S-812-SYS – Party hold' as a new category of restriction type case one rules			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	484,972.09	Euro
Annual	Operational costs		
	- Maintenance costs	45,701.31	Euro
	- Running costs	0.00	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).