
1. General Information

CR Raised by: Corporate Actions Subgroup **Institute:** ECB **Date Raised:** 28/10/09

Change Request Title: Opt-out and ex-cum transaction condition indicators as new additional matching fields **CR Ref.:** T2S URD 250

Change Request Classification: Substance **Status:** Approved by the AG

Change Type: Modification, New Requirement **Requestor Category:** T2S Subgroup

Chapter Number/Annex Number: Chapter 5, Chapter 14, Annex 2 **Req No:** T2S.05.590, T2S.14.261

Priority (S,H,M,L): H **Proposed Implementation Date/Release:** Version 5.0

Description of Requested Change:

In September 2009, the T2S AG approved the standards of the Corporate Actions Subgroup (CASG). The CASG standards required the inclusion of two “*additional matching fields*” in T2S.

(i) Opt-out ISO transaction condition indicator

Market participants must be able to indicate in the settlement instruction before the market claim takes place that no claim at all should be raised on a given transaction. Furthermore, market participants must also be able to indicate that they wish to deviate from the standard transformation procedures. This requirement will be achieved by including the “opt-out” ISO transaction condition indicator as an *additional matching field in T2S* (i.e. if one counterparty includes it then it becomes a mandatory matching field that needs to be matched against the other counterparty’s instruction and cannot be matched to null).

(i) Ex/cum ISO transaction condition indicator

Market participants must be able to indicate if they wish to override the standard market practice for market claim detection. This requirement will be achieved by including the “ex/cum” ISO transaction condition indicator as an *additional matching field in T2S* (i.e. if one counterparty includes it then it becomes a mandatory matching field that needs to be matched against the other counterparty’s instruction and cannot be matched to null).

Reason for Change / Expected Benefits / Business Case:

The changes are necessary in order to ensure that T2S can adequately process the resulting settlement of corporate actions on pending transactions (i.e. market claims and transformations) in a cross-CSD environment. These changes are in line the prescribed standards of the EU Commission CESAME2’s Corporate Actions Joint Working Group.

Submitted Annexes / Related Documents:

Corporate Actions Subgroup – CASG standards for Market Claims (standard 6 and 7, on p. 6-7)

http://www.ecb.europa.eu/paym/t2s/progress/pdf/ag6/c_CASG_Standards_for_Market_Claims.pdf?4135c46ed6ace7d9bb8d9e4a40d5e170

Corporate Actions Subgroup – CASG standards for Transformations (standard 3, on p.8-9)

http://www.ecb.europa.eu/paym/t2s/progress/pdf/ag6/d_CASG_Standards_for_Transformations.pdf?065a37f04e4e86fb383058f7c10c9652

Proposed wording for the Change Request:

The following changes are necessary in the T2S URD in order to address the CASG proposal:

1. Modification of UR T2S.05.590 as follows:

5.5.3 Non-mandatory matching fields

Non-mandatory matching fields

Reference ID	T2S.05.590
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T2S shall support non-mandatory matching fields. Non-mandatory matching fields are fields in the settlement instruction that T2S matches when they are present. There are two types of non-mandatory matching fields:

- ~~Additional matching fields are fields that are not mandatory but become mandatory when at either one of the counterparts to the settlement provides a value for them in its instruction~~
- 1. An “additional matching field” is non-mandatory matching attribute of a settlement instruction, which becomes a mandatory matching criterion when **either** of the parties in its settlement instruction provides a value for the attribute.

The exhaustive list of additional matching fields can be found in the table below.

<u>DVP</u>	<u>FOP</u>
<u>Opt-out ISO transaction condition indicator</u>	<u>Opt-out ISO transaction condition indicator</u>
<u>Ex/cum ISO transaction condition indicator</u>	<u>Ex/cum ISO transaction condition indicator</u>

The possible scenarios for the opt-out ISO transaction condition indicator are as follows:

<u>Deliverer's instruction</u>	<u>Receiver's instruction</u>	<u>T2S platform action</u>
<u>Blank</u>	<u>Blank</u>	<u>matching</u>
<u>Out-out</u>	<u>Blank</u>	<u>No matching</u>
<u>Blank</u>	<u>Opt-out</u>	<u>No matching</u>
<u>Opt-out</u>	<u>Opt-out</u>	<u>matching</u>

The possible scenarios for the ex/cum ISO transaction condition indicator are as follows:

<u>Deliverer's instruction</u>	<u>Receiver's instruction</u>	<u>T2S platform action</u>
<u>blank</u>	<u>blank</u>	<u>Matching</u>
<u>ex</u>	<u>ex</u>	<u>Matching</u>
<u>ex</u>	<u>blank</u>	<u>No matching</u>
<u>blank</u>	<u>ex</u>	<u>No matching</u>
<u>cum</u>	<u>ex</u>	<u>No matching</u>
<u>ex</u>	<u>cum</u>	<u>No matching</u>
<u>cum</u>	<u>cum</u>	<u>Matching</u>
<u>cum</u>	<u>blank</u>	<u>No matching</u>
<u>blank</u>	<u>cum</u>	<u>No matching</u>

- ~~Optional matching fields are fields that are not mandatory but become mandatory when both settlement counterparts completes provide a value for them in their instructions.~~
- 2. An “optional matching field” is a non-mandatory matching attribute of a settlement instruction, which becomes a mandatory matching criterion when **both** parties provide a value for the attribute in their settlement instructions.

The exhaustive list of optional matching fields can be found in the table below.

<u>DVP</u>	<u>FOP</u>
<u>Common trade reference</u>	<u>Common trade reference</u>
<u>Client of delivering CSD participant⁷ (the data type of the field shall be in line with the ISO 20022 standard</u>	<u>Client of delivering CSD participant (the data type of the field shall be in line with the ISO 20022 standard</u>

definition).	definition).
Client of receiving CSD participant ⁸ (the data type of the field shall be in line with the ISO 20022 standard definition).	Client of receiving CSD participant (the data type of the field shall be in line with the ISO 20022 standard definition).

⁷ The ESF/ECSDA standards say “second layer market participant (sub-account/customer of counterparty)”.

⁸ The ESF/ECSDA standards say “second layer market participant (sub-account/customer of counterparty)”.

2. Modification of Annex 2 as follows:

Annex 2 Glossary and Standards

Title	Definition	Remark
T2S additional matching field	a non-mandatory matching attribute of a settlement instruction, which becomes a mandatory matching criterion when either of the parties to a settlement instruction provides a value for the attribute. T2S additional matching fields cannot match with a field with no value (null value).	
T2S optional matching field	a non-mandatory matching attribute of a settlement instruction, which becomes a mandatory matching criterion when both parties to a settlement instruction provide a value for the attribute in their settlement instructions. T2S optional matching fields may match with a field with no value (null value).	

3. Modification of UR T2S.14.261 as follows:

Settlement Instruction Query

Reference ID	T2S.14.261
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“T2S shall provide a settlement instruction query, which allows the T2S Actors to select settlement instructions based on the following set of business attributes in the settlement instruction:

- Instruction Type;
- ISO Transaction Code;
- (...)
- Pool Identification of a set of instructions
- Cum/Ex ISO transaction condition Indicator
- Opt-out ISO transaction condition Indicator
- Partial settlement Indicator
- Auto-collateralisation Indicator
- Status Type and status value (e.g. match status, settlement status)

T2S shall return all settlement instructions in ISO 20022 format that fulfil the specified criteria.”

Outcome of meetings:

*SG Meeting on 18 Nov 2009
Recommendation to the AG: Approval

* AG Meeting on 9-10 Dec 2009
Approval of SG recommendation