General Information (Origin of Request)		
☐ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		

Request raised by: Deutsche Bundesbank on behalf of the German NUG	**Institute:** Central Bank	**Date raised:** 24/07/2015
Request title: Indication for time-critical settlements ("settlement till" time-stamp)		**Request ref. no:** T2S 0546 SYS
Request type: Common		**Urgency:** Normal
1. Legal/business importance parameter: High		**2. Market implementation efforts parameter:** Medium
3. Operational/Technical risk parameter: Low		**4. Financial impact parameter:** High
Requestor Category: Central Bank		**Status:** Withdrawn by initiator

Reason for change and expected benefits/business motivation:

The current T2S set-up assumes a delivery-versus-payment (DvP) settlement has to be finalised until the end of the daytime settlement period at 4 pm[1].

Due to business reasons and/or legal and/or contractual obligations an earlier settlement could be required.

If above mentioned settlements are not done on time, penalties and / or sanctions and / or violation of contracts could arise. (These issues are based on legal / contractual arrangements and not reflected in T2S or part of the settlement instruction sent to T2S. It is not intended that potential claims for penalties or sanctions are transferred via T2S).

Business examples where the indicated reasons could arise:

- Bilateral contracts in Merger & Acquisition business (the attesting notary needs to see the settlement executed at an agreed time)
- Maturity / Redemption of asset-backed and mortgage bonds (the trustee has to declare the involved assets as available for new transactions)
- Delivery of Assets (DvP) to an asset pool for asset-backed and mortgage bonds (the trustee needs to see the new assets at an agreed time)
- Payment obligations from the Main Paying- Agent
- Settlement of rolling repo transactions where the maturing trade has to settle ahead of the settlement of the new trade and linkage of trades is not possible
- Time-specific contracts to allow settlement cross systems (CSD/ICSD)

The change request should ensure a proper handling of time related obligations within T2S and ensure an efficient management of the DCA.

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[1] Exception: BATM transactions with later settlement window.

Description of requested change:

Introduction of a "settlement till" time-stamp to indicate that an earlier settlement as the end of day settlement is intended or required.

The "settlement till" time-stamp qualifier should:

- Be optional and could be used by all market participants.
- Be –highly recommended to be used for all settlement instructions where penalties or sanctions are given if the settlement is not done on time. It should not be the responsibility of T2S to control if the qualifier is set.

  Be part of the settlement instruction (information purpose only) the A2A message sese.023 should be adopted to include the "settlement till" time-stamp. This time-stamp should also be added in the sese.024 to ensure that all parties are/can be informed.
  Additionally it would be nice to have the settlement till time-stamp in the allegement message sese.028 (Securities
- Settlement Transaction Allegement Notification).
- Have the format hh:mm + time zone indicating the latest intended settlement time.
- Not be a matching field within the settlement instructing (no matching in T2S)
- Not cause any further actions in T2S (There is no action taken from T2S in case the settlement is still unsettled after the "settlement till" time-stamp)

If settlement is not completed until "settlement till" time-stamp, the involved parties have to agree about further measures / respectively act as contractually agreed outside of T2S

If this time-stamp is not set, the cash and securities side can trust that no settlement earlier than end of day, i.e. earlier than the cut-off times defined in T2S is necessary.

Settlement Instruction Query

The "settlement till" time-stamp should also be able to be used as query parameter for Settlement Instruction Queries. Therefore the semt.027 (as query response message) and the semt.026 (as query request message) for the settlement instruction query should be adopted by including the "settlement till" time-stamp.

This change request is linked to CR T2S 0544 SYS (Retroactive Cash Restriction). Full benefits arise if both CRs are implemented.

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Submitted annexes / related documents:

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Proposed wording for the Change request:

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High level description of Impact:

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Outcome/Decisions:

* CRG meeting of 17-18 September 2015: The CRG agreed to put the Change Request on hold and indicated that the Change Request is a potential candidate for Release 2.

* CRG meeting on 6 September 2016: The CRG recommended to launch the preliminary assessment on the Change Request from 26 September 2016 to 17 October 2016 (batch 1).

* OMG on 05 October 2016: During a written procedure from 14 September 2016 to 06 October 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request.

* CRG meeting on 26 October 2016: The CRG took note of the T2S functionalities/modules impacted by the Change

Request following the 4CB preliminary assessment and that there are synergies with the Change Request T2S-0520-SYS (Add new fields to T2S messages sese.020, sese.024 and sese.025 needed for CA processing), therefore a joint implementation is favourable.

* CRG meeting on 28 August 2017: The CRG was informed that the CR initiator has withdrawn the Change Request.

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Preliminary assessment:

- Impacted functionality/module: A2A, U2A, LCMM, SETT, LTSI

- **Findings:**
  o 4CB assume performance risk during EoD/SoD
  o Assumption for synergies with the CR-0520

- **Following issues have to be clarified before the start of detailed assessment:**
  o Currently the CR refers only to A2A mode. Is the query functionality only to be enriched in A2A mode or also U2A mode? (SI search screen)? Our working assumption is that U2A is not to be updated accordingly.
  o CR to be updated to include SGMS decision. Our working assumption is that the T2S community does not want to use any existing attribute in the messages and that an ISO message is needed.