

<b>General Information (Origin of Request)</b>		
<input type="checkbox"/> User Requirements (URD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> 4CB	<b>Institute:</b> 4CB	<b>Date raised:</b> 24/08/2015
<b>Request title:</b> Enrichment of Settlement Instruction with default DCA at the acceptance		<b>Request ref. no:</b> T2S 0547 SYS
<b>Request type:</b> Common		<b>Urgency:</b> Fast-track
<b>1. Legal/business importance parameter:</b> Medium	<b>2. Market implementation efforts parameter:</b> Medium	
<b>3. Operational/Technical risk parameter:</b> Medium	<b>4. Financial impact parameter:</b> Medium	
<b>Requestor Category:</b> 4CB	<b>Status:</b> Withdrawn by the initiator	

**Reason for change and expected benefits/business motivation:**

The T2S URD requires that a user must specify a default dedicated cash account when creating the links between the securities accounts and the dedicated cash accounts. This functionality has the following features:

- The link set up between a securities account and default DCA in T2S enables users to send instructions without populating the DCA; and
- In case the default DCA changes between the entry of the instruction into T2S and its intended settlement date, T2S would consider for settlement the applicable default DCA at the moment of settlement.

In this way, for Settlement Instructions against payment, T2S Actors may either include the T2S Dedicated Cash Account to be credited / debited into the Settlement Instruction or use the default DCA defined for the securities account. When there is no T2S DCA specified in a Settlement Instruction against payment, T2S retrieves the default DCA to be used for settlement at the Intended Settlement Date. The default DCA is retrieved from Static Data from the CMB Securities Account Link of the securities account considering the validity period of the link and the currency of the instruction.

In the user testing it was observed that, when a T2S Actor queries Settlement Instructions using the DCA as search criteria, only those Settlement Instructions that included the DCA in the incoming message are reported back in the query response. Those instructions for which the applicable default DCA is the one used as search criteria will not be reported in the settlement instruction query response. A change in the functionality has been requested by the market in order to cope with this specific behaviour of the queries on Settlement Instructions impacting a specific DCA.

The CRG discussed two proposed options viz. change to the settlement instruction query and enriching the settlement instruction with the default DCA at the acceptance. The CRG was of the view that a change of the current settlement instruction query design may not be the best solution as 4CB internal tests showed a significant negative impact on performance. Additional analysis done afterwards revealed that the issue impacts also the cash forecast report.

The approach to follow in order to fill the gap of the settlement instruction query is to determine the default DCA at validation time (in the same way as it is validated nowadays) and insert it into the instruction as if it had been filled in the incoming message by the user.

This change will ensure that the settlement instruction query using the DCA as search criteria will also include those settlement instructions which use a default DCA. Also, the cash forecast report will include the settlement instructions which use a default DCA.

However, this approach has the following consequences:

- In case the default DCA for a given securities account is changed in Static Data between the entry of the Settlement Instruction into T2S and the end of its life cycle (i.e. settlement or cancellation) T2S will continue using the same DCA (the default DCA at validation time/entry into T2S) for all purposes: reporting, revalidation, settlement, etc. This implementation will “de-scope” the advantage to automatically handle DCA changes after entry of the Settlement Instruction in T2S and before the settlement date.

- If the default DCA is no longer valid (i.e. the DCA is closed or there is no valid link allowing settlement of the cash leg between the DCA and the securities account of the instruction), all the instructions related to such DCA will be cancelled upon revalidation accordingly.

Please note that in case of External-CSD settlement (i.e. when the securities account in the settlement instruction is not validated by T2S), the DCA can't be calculated at validation time and therefore the External CSD instructions using a default DCA will not be reported in the queries.

This Change Request is accompanying the non-accepted defects with ticket numbers PBI00000001769 (Settlement Instruction Details screen for T2S Reference 1405270000246384 shows a blank DCA) and PBI000000155729 ([CR547] semt.027 query response not including expected instructions).

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**Description of requested change:**

When the T2S Dedicated Cash Account is not included in a Settlement Instruction, T2S should enrich the Settlement Instruction with the default DCA configured in Static Data at the initial Instruction Validation process, and this DCA will be kept in the instruction regardless any change that could happen in Static Data.

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**Submitted annexes / related documents:**

Clarification Note UT-PBR-034

[https://www.ecb.europa.eu/paym/t2s/progress/pdf/tg/crg/crg42/ut-pbr-034\\_semt.pdf](https://www.ecb.europa.eu/paym/t2s/progress/pdf/tg/crg/crg42/ut-pbr-034_semt.pdf)

[https://www.ecb.europa.eu/paym/t2s/progress/pdf/tg/crg/crg43/follow-up\\_on\\_utsg\\_topic\\_ut-pbr-034.pdf](https://www.ecb.europa.eu/paym/t2s/progress/pdf/tg/crg/crg43/follow-up_on_utsg_topic_ut-pbr-034.pdf)

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**Proposed wording for the Change request:**

The following UDFS section should be modified:

Section 1.6.1.1.3 Validation process, page 283

- T2S Dedicated Cash Account Validation: T2S verifies for the credited or debited T2S dedicated cash account specified in an Unmatched Settlement Instruction and for the T2S dedicated cash account a Settlement Restriction on cash that:
  - The Currency of a Settlement Instruction against payment or in a Settlement Restriction on cash must be the same as the Currency of the debited or credited T2S Dedicated Cash Account (both if it is an already matched Settlement Instruction)
  - The T2S Party of a Settlement Restriction on cash is the Account Owner of the specified T2S Dedicated Cash Account in the instruction.
  - If the T2S Dedicated Cash Account is not specified in a Settlement Instruction against payment, a default T2S Dedicated Cash Account for the Currency has been defined in the Static Data by the T2S Actor; in such case, ~~the default T2S Dedicated Cash Account is derived in Static data with the Securities Account stated in the Settlement Instruction. In case there is no T2S DCA specified in a Settlement Instruction against payment, T2S~~ retrieves the default DCA to be used for settlement at the Intended Settlement Date (and at the current business day if the Intended Settlement Day is in the past) and enriches the Settlement Instruction with the default DCA at the moment of its validation as it would have been filled in the incoming message by the user. The retrieval will only be performed upon the validation of the Settlement Instruction in T2S, so in case of updates in Static Data, the DCA of the Settlement Instruction will not be updated and in case the enriched DCA

becomes invalid, the Settlement Instruction will be cancelled accordingly at the moment of revalidation.

- The Creditor or Debtor Party BIC specified in a Settlement Instruction against payment, must be the owner of the relevant T2S Dedicated Cash Account (informed by the User or retrieved at validation time) on the ISD and additionally on the current Business Day if the ISD is in the past.
- In case of an already matched Settlement Instruction, T2S validates both T2S Dedicated Cash accounts.
- The T2S Dedicated Cash Account specified in a Settlement Instruction against payment is related to the Securities Account specified in the instruction
- The T2S Dedicated Cash Account specified in a Settlement Instruction against payment or in a Settlement Restriction on cash exists in T2S. T2S checks that the Intended Settlement Date is between the Opening and Closing date of the Dedicated Cash Account. In case the Intended Settlement Date is in the past T2S additionally checks that the Closing date is equal or later than the current Business Day, see example below:

Section 1.6.1.1.3 Validation process, page 285

- Reference to Settlement Restriction Validation: The Restriction Reference is the unique identification assigned by T2S when a Blocking (including CoSD Blocking) or Reservation detailed cash/securities restriction is set up in a cash/securities account. T2S verifies that the Restriction Reference specified in a Settlement Instruction or Settlement Restriction exists in T2S and:
  - If a Settlement Instruction or Settlement Restriction specifies a Restriction Reference, the account associated with the Restriction Reference must be the same than the account specified in the Instruction (securities or cash account). In case the T2S Dedicated Cash Account ~~is not present~~ has not been informed by the user in the Settlement Instruction, the Restriction Reference must be the same than in ~~the~~ default T2S dedicated Cash Account<sup>1</sup> retrieved at the moment of the validation.

<sup>1</sup> The Settlement Instruction is enriched at the moment of its validation with the Default Dedicated Cash Account retrieved.

Section 4.1 Index of Business Rules and Error Codes

Additionally the following BRs must be updated, as with the implementation of the CR, the Default DCA is always present during the revalidation.

MVRR947	If a Settlement Instruction makes use of a restricted cash balance specifying the Restriction Reference, the T2S Dedicated Cash Account associated with the Restriction Reference must be the same than the T2S dedicated Cash Account specified in the Settlement Instruction or the default T2S dedicated Cash Account <u>derived at validation time if not present in the Settlement Instruction.</u>	sese.023	sese.024	<Rjctd>	CASH	The T2S dedicated cash account <del>specified or default cash account of</del> the Settlement Instruction is different than the cash account inferred from the Restriction Reference.
MVRR947	If a Settlement Instruction makes use of a restricted cash balance specifying the Restriction Reference, the T2S Dedicated Cash Account associated with the Restriction Reference must be the same than the T2S dedicated Cash Account specified in the Settlement Instruction or the default T2S dedicated Cash Account <u>derived at validation time if not present in the Settlement Instruction.</u>	sese.023	sese.024	<Canc>	CANS	The T2S dedicated cash account <del>specified or default cash account of</del> the Settlement Instruction is different than the cash account inferred from the Restriction Reference.
MVCA514	<del>If the Credited T2S Dedicated Cash Account is not specified in an unmatched Settlement Instruction crediting cash, there has to be in T2S a default Cash Account for the Currency of the cash leg of the Instruction.</del>	<del>sese.023</del>	<del>sese.024</del>	<del>&lt;Canc&gt;</del>	<del>CANS</del>	<del>There is no default Credited T2S Dedicated Cash Account related to the Currency on the Settlement Date.</del>
MVCA515	<del>If the Debited T2S Dedicated Cash Account is not specified in an unmatched Settlement Instruction debiting cash, there has to be a default Cash Account for the Currency of the cash leg specified in the Instruction.</del>	<del>sese.023</del>	<del>sese.024</del>	<del>&lt;Canc&gt;</del>	<del>CANS</del>	<del>There is no default Debited T2S Dedicated Cash Account related to the Currency on the Settlement Date.</del>
MVCA516	<del>If the Credited T2S Dedicated Cash Account and/or Debited T2S Dedicated Cash Account is/are not specified in an already matched Settlement Instruction against payment, there has to be in T2S a default Cash Account associated with the Currency of the cash leg of the Settlement Instruction.</del>	<del>sese.023</del>	<del>sese.024</del>	<del>&lt;Canc&gt;</del>	<del>CANS</del>	<del>There is no default Credited T2S Dedicated Cash Account related to the Currency on the Settlement Date.</del>

MVCA516	If the Credited T2S Dedicated Cash Account and/or Debited T2S Dedicated Cash Account is/are not specified in an already matched Settlement Instruction against payment, there has to be in T2S a default Cash Account associated with the Currency of the cash leg of the Settlement Instruction.	sese.023	sese.024	<Canc>	CANS	There is no default Debited T2S Dedicated Cash Account related to the Currency on the Settlement Date.
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The following UHB section should be modified:

The update of the description for BR MVRR947 needs to be also updated in the UHB v2.0 page 2429

MVRR947	<ul style="list-style-type: none"> <li>■ T2S Dedicated Cash Account Number field</li> <li>■ Restriction Reference field</li> <li>■ Submit button</li> </ul>	<p>The T2S dedicated cash account <del>specified or default cash account</del> of the Settlement Instruction is different than the cash account inferred from the Restriction Reference.</p>	<p>If a Settlement Instruction makes use of a restricted cash balance specifying the Restriction Reference, the T2S Dedicated Cash Account associated with the Restriction Reference must be the same than the T2S dedicated Cash Account specified in the Settlement Instruction or the default T2S dedicated Cash Account <del>if not present in the Settlement Instruction</del> <u>derived at validation time.</u></p>
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The following GFS section should be modified:

Section 3.4.3 Instruction Validation, page 213

T2S Dedicated Cash Account Validation

<i>Reference Id</i>	<b>LCMM.IVA.SMIV.3.5</b>
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The following checks are performed concerning the *T2S dedicated cash account* for *Settlement Instructions* which Payment Type Code is against payment ("APMT"):

- If the *T2S Dedicated Cash Account* is included:
  - it exists in T2S Static Data and the Intended Settlement Date is between its Opening Date and Closing Date,
  - an active link exists to the *Securities Account* in T2S Static Data {T2S.05.040} {T2S.05.060},

- its associated Currency must be consistent with the Currency of the *Settlement Instruction* **{T2S.05.070}**.
- the relevant party must be authorized to operate the Cash Account on the Intended Settlement Date;
- If the *T2S Dedicated Cash Account* is not included, a default T2S Dedicated Cash Account for the currency of the cash leg of the *Settlement Instruction* is defined for the *Securities Account* in T2S Static Data **{T2S.05.060}**. Additionally, in this scenario, the Settlement Instruction is enriched at the moment of its validation with the T2S Dedicated Cash Account retrieved in the abovementioned check. This DCA retrieved at validation time is used in Settlement at Intended Settlement Day regardless whether a new default DCA is defined in T2S Static data during the lifecycle on the instruction in T2S. In any case, the DCA retrieved at validation time must be compliant with the checks defined in the previous bullet point.

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**Outcome/Decisions:**

- \* CRG teleconference of 4 September 2015: The CRG put the Change Request on hold and indicated that the Change Request is a potential candidate for release 1.2 which will be discussed in the CRG meeting of 17-18 September 2015
- \* CRG meeting of 17-18 September 2015: The CRG agreed to put the Change Request on hold and agreed to include it in the list of Change Requests for Release 1.2. The CRG considered the Change Request very important for the migration of wave 3 participants.
- \* CRG teleconference of 1 October 2015: The CRG recommended to launch the detailed assessment on the Change Request.
- \* Advisory Group's advice on 8 October 2015: Following a written procedure, the AG was in favour of launching the detailed assessment on the Change Request.
- \* CSG resolution on 9 October 2015: Following a written procedure, the CSG was in favour of launching the detailed assessment on the Change Request.
- \* OMG on 16 October 2015: During a written procedure from 2 October 2015 to 16 October 2015, the Operations Managers Group did not identify any operational impact of the Change Request.
- \* CRG meeting of 15 December 2015: The CRG agreed to conclude on its final recommendation on the Change Request during the CRG teleconference of 18 December 2015.
- \* CRG teleconference of 18 December 2015: The CRG recommended the approval of the Change Request and its addition to Release 1.2.
- \* CRG teleconference of 22 January 2016: The CRG put the Change Request on hold and the CRG agreed that the Change Request could be recommended tentatively for Release 1.2 with a possibility to decouple it from Release 1.2, in a written procedure.
- \* CRG written procedure from 26 January 2016 to 29 January 2016: The CRG recommended to include the Change Request in Release 1.2 with a possibility to decouple it from Release 1.2.
- \* PMG teleconference on 12 February 2016: The PMG was in favour of including CR-547 in Release 1.2 as a temporary solution to solve cash forecast report issue and an option of CR-547 enhanced with dynamic update of the DCA was seen as the long term solution.
- \* Joint CRG/OMP/PMG workshop on 25 February 2016: Following this workshop, the work on the CR547 has been stopped and the CR 547 has been withdrawn as the cash forecast report is currently faulty in production, and this issue should hence be tracked as a production problem.

## EUROSYSTEM ANALYSIS – GENERAL INFORMATION

<b>Impact On T2S</b>	<b>Static data management</b>		<b>Interface</b>		
		Party data management		Communication	
		Securities data management		Outbound processing	
		T2S Dedicated Cash account data management		Inbound processing	
		Securities account data management			
		Rules and parameters data management			
	<b>Settlement</b>		<b>Liquidity management</b>		
		Standardisation and preparation to settlement		Outbound Information Management	
		Night-time Settlement		NCB Business Procedures	
		Daytime Recycling and optimisation		Liquidity Operations	
		Daytime Validation, provisioning & booking	<b>LCMM</b>		
		Auto-collateralisation	x	Instructions validation	
				Status management	
	<b>Operational services</b>			Instruction matching	
		Data Migration		Instructions maintenance	
		Scheduling	<b>Statistics, queries reports and archive</b>		
		Billing	x	Report management	
		Operational monitoring	x	Query management	
				Statistical information	
				Legal archiving	
		All modules (Infrastructure request)			
		No modules (infrastructure request)			
		Business operational activities			
	Technical operational activities				

<b>Impact on major documentation</b>		
<b>Document</b>	<b>Chapter</b>	<b>Change</b>
Impacted GFS chapter	3.4.3 Instruction Validation	To clarify that when the T2S Dedicated Cash Account is not included in a Settlement Instruction, T2S will enrich the Settlement Instruction with the default DCA configured in Static Data at the initial Instruction Validation process.
Impacted UDFS chapter	1.6.1.1.3 Validation process  4.1 Index of Business Rules and Error Codes	To clarify that when the T2S Dedicated Cash Account is not included in a Settlement Instruction, T2S will enrich the Settlement Instruction with the default DCA configured in Static Data at the initial Instruction Validation process.  Also to include the check at validation level that the DCA owner of the default DCA retrieved at validation must be the same one as the Debtor or creditor specified in the Settlement Instruction (this check was previously performed at SETT level).  Update of the BRs related to the default DCA
Additional deliveries for		

Message Specification		
UHB	6.4.2.175 Settlement Instruction - New Screen	Update of wording of BR MVRR947
External training materials	T2S_FA_WS 2_Part2_SETT_BVAL_RVAL_SRVP	Update the slides related to the DCA check
Other documentations		
Links with other requests		
Links	Reference	Title
OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT		
Summary of functional, development, infrastructure and migration impacts		
<p>The impacts of this change request on the T2S <b>domains/modules</b> are the following:</p> <p><u>LCMM:</u></p> <p>Update of the LCMM function in charge of ensuring the correctness of the DCA in DVP instructions. When the DCA is not included in the instruction, the validation module will retrieve a valid (at ISD) default cash account for the currency of the instruction and linked to the relevant securities account. This retrieved DCA will be inserted in the Settlement Instruction at the acceptance moment, as if the user would have sent the message with the DCA informed.</p> <p>Also checks on the default DCA that were performed only at settlement level when the DCA was not informed, have now to be performed at validation level. Therefore a similar rule to BRs SPRC009 and SPRC010 have to be put in place on the validation process.</p> <p>In addition, the internal interface between the different LCMM checks should be enhanced to include the DCA after DCA validation.</p> <p>At the moment of the deployment in Production of this CR there will be instructions already in the system without a DCA inserted by the user:</p> <ul style="list-style-type: none"> <li>- For the settled instructions present in the system, the instruction will not be converted since no validation occurs anymore on instructions with final status.</li> <li>- The pending instructions in the system without a DCA informed by the user will get the DCA at the first time they are revalidated.</li> </ul> <p>Messages related to the sese.023 copies will not contain the default DCA since the account was not present at the moment of the message sending.</p> <p><u>SETT:</u></p> <p>No change is required as in the case of External-CSD settlement (i.e. when the securities account in the settlement instruction is not validated by T2S), the DCA cannot be calculated at validation time and will continue to be determined during the realignment process.</p> <p><u>QUM:</u></p> <p>Outline to retrieve information on the relevant DCA from LCMM in</p> <ul style="list-style-type: none"> <li>• Settlement Instruction Query</li> <li>• Settlement Instruction Current Status Query</li> <li>• Cash Forecast Query</li> </ul> <p><u>REM:</u></p> <p>Outline to retrieve information on the relevant DCA from LCMM in</p> <ul style="list-style-type: none"> <li>• Current Settlement Day Cash Information Report</li> <li>• Following Settlement Day Cash Forecast Report</li> </ul> <p><u>DMT (Migration):</u></p> <p>No change in the DMT. According to the specifications of the DMT (3.2Format of "Enriched Files"):          "The format of the enriched files is based on the format of the Excel and the flat files that have been submitted to DMT. The submitted data remains unchanged but is supplemented with "Further Notifications" and "Statistical Information".</p>		



Hence, the DMT enriched filed will not include the default DCA retrieved at LCMM level (only the accepted sese.024 sent will include it)
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Summary of project risk
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No.
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Security analysis
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No potentially adverse effect was identified during the security assessment.
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