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

Request raised by: NBB-SSS, Euroclear	**Institute:** CSD	**Date raised:** 10/07/2012
Request title: In the settlement process of an instruction without a link, T2S should consider any other unmatched instructions having a link with it		**Request ref. no:** T2S-0346-URD
Request type: Specific		**Urgency:** Normal
1. Legal/business importance parameter: High		**2. Market implementation efforts parameter:** High
3. Operational/Technical risk parameter: High		**4. Financial impact parameter:** High
Requestor Category: CSD		**Status:** Withdrawn by initiator

Reason for change and expected benefits/business motivation:

The change request would simplify the CSD process (i.e. less messages would need to be sent) when the CSD wants to link its instruction to an existing instruction (without a link) of a CSD participant. (E.g. avoid bilateral link, hold of instructions, updates of links)

In some cases, two settlement instructions may settle separately in T2S in spite they are linked by a "WITH" or in an inadequate order if the link is "BEFO"

The main benefit in terms of business processes is that it ensure that the processing of linked instructions becomes independent of the matching order.

Scenario 1:

- Party A sends Instruction1
- then party A sends Instruction2, linked by a "WITH" to Instruction1
- then Counterparty B sends Instruction3, which matches with Instruction1
- T2S will match and settle Instruction1 with Instruction3, without taking into account the link WITH
- Moreover, even if Instruction2 (containing "WITH") is matched, it will be recycled, then cancelled during evening batch because it contains a "WITH" that T2S cannot apply

Scenario 2:

- Party A sends Instruction1
- then party A sends Instruction2, linked by a "WITH" to Instruction1
- then Counterparty B sends Instruction3, which matches with Instruction2
- T2S will match Instruction2 with Instruction3, but will not settle them until Instruction1 can be settled as well

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Description of requested change:

Indicator "WITH" or "BEFO" in an instruction shall be taken into account in all cases. The instruction containing the "WITH" and the target instruction (which reference is present within the linkage section) shall settle together.

The only exception is the case when the target instruction is already settled when T2S receives the instruction containing the "WITH" or "BEFO".

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Submitted annexes / related documents:

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Proposed wording for the Change request:

1.   Impact on the User Requirements Document

The requirement T2S.05.625 (Non-eligible instructions for settlement) should be modified as follows:

Non-eligible instructions for settlement

Reference ID	T2S.05.625

T2S shall regard the following instructions as being ineligible for settlement:

1.   Instructions before their intended settlement date.
2.   Instruction received by the settlement eligibility process after its cut-off time
3.   Instructions on hold.
4.   Instructions linked to a missing instruction (if it is required for further processing according to the type of link).
5.   Instructions without a link but for which there is another ineligible instruction which has a link with it (if it is required for further processing according to the type of link).

T2S shall consider the last ~~three~~ four groups of instructions at the end of the intended settlement date as having failed.

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High level description of Impact:

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Outcome/Decisions:

* CRG meeting of 1-2 October 2012: The Change Request is discarded for release 1 and will potentially be considered for a future release of T2S.

* CRG meeting of 8-9 February 2016: The CRG decided to put the Change Request on hold for T2S Release 2.0 potentially.

* 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 that the CR initiator agreed to withdraw the Change Request considering the high negative impact on performance at start of day (SOD) and during the real-time settlement (RTS) period.

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Preliminary assessment:

- Impacted functionality/module: SETT, LCMM

- **Findings:**
    - The current wording implies that SETT needs to check for every transaction before its settlement that there is any other unmatched instruction linked to it in LCMM, i.e. unmatched instructions are not sent to SETT till they are matched and therefore eligible to be settled.
    - As the additional check would take place at ISD, during eligibility checks, we already assume a **huge negative impact on performance at SoD**.
    - We assume also an **impact on performance in RTS** settlement engine and a **risk of delay** between NTS sequences if this check on settlement instructions must be performed before each settlement attempt to ensure no link was forgotten.

- **Following issues have to be clarified before the start of detailed assessment:**
    - Should this check be performed before every Settlement attempt if the first one fails?
    - Please confirm that the instruction not yet accepted shall not be considered. Additionally, please confirm that instruction not fully validated (4 eyes) shall not be considered.
    - If the instruction bearing the link arrives later than the one not bearing the link information, the instruction may settle without the link constraint. This happens when ISD is equal to current business day. In order to avoid this T2S Actors should ensure that the instruction with the link arrives first to T2S (and even so there is always a risk). In such a case the user has to put some logic in the way they instruct the instructions. If a logic must be applied in the user side, why can't this logic be to put the reciprocal link directly (i.e. to indicate the links in both instructions)?
    - If the ISD of the instruction is in the future the above situation is unlikely to happen but in this case the user has time to send an amendment to the instruction without the link info to be added it.

- **Due to the high negative impact on performance at SoD and during RTS, 4CB recommends the withdrawal of the CR-0346.**