

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: XMAP	Institute: ECB	Date raised: 20/06/2017
Request title: T2S should allow the population of the dedicated Legal Entity Identifier (LEI) field on Party 2 level in A2A mode		Request ref. no: T2S 0664 SYS
Request type: Common	Urgency: Normal	
1. Legal/business importance parameter: Medium	2. Market implementation efforts parameter: Medium	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter:	
Requestor Category: T2S sub-group	Status: Registered	

Reason for change / expected benefits / business case:

The Cross-border Market Practice sub-group (XMAP) initiated a market practice, published in February 2016, to promote the usage of LEI for the identification of the client of the CSD participant (Party2) in T2S. The practice mandates that when the optional matching field is populated in the settlement instruction, LEI should be used as preferred identifier if BIC is not available, before the usage of any other identifier.

At the time of writing, T2S uses the ISO20022 2012 version of the schema where no dedicated LEI field is available in the settlement instruction message, i.e. sese.023. Hence, the T2S market practice relies on the population of the Proprietary Identification field in the Party2 block, where LEI can be populated and matched according to T2S logic.

The ISO20022 2016 release adds dedicated LEI fields as additional attributes of a settlement party, inter alia for Party1 to Party5 blocks in the sese.023 message. As per ISO definition, the dedicated LEI field can only be used as an optional and complementary identifier to current party identification fields, i.e. cannot be used as sole party identifier.

Hence, there was a question as how to ensure the continuation of the market practice, while respecting ISO standards foreseeing the population of LEI in the dedicated optional and complementary field.

Bearing the above constraints in mind, and in order to limit the impacts on the T2S software, the following approach is recommended by the sub-group when populating the client of CSD participant in T2S with LEI:

- Continue to fill in the Proprietary Identification field with LEI, in order to allow matching in T2S, and;
- Fill in the LEI in the dedicated LEI field foreseen by ISO

This approach, validated by the Sub-Group on Message Standardisation (SGMS), has the advantage of being non-disruptive for the matching engine of T2S, while still using the dedicated LEI field. In addition, it provides the additional benefit to be able to provide LEI for non-matching purposes in the dedicated field in addition to another identifier, e.g. BIC.

Description of Requested Change:

T2S must allow the population of the following fields in the Settlement Instruction message (sese.023) in order to allow the input of LEI:

SctiesSttImTxInstr/DlvrgSttImPties/Pty2/LEI

SctiesSttImTxInstr/RcvgSttImPties/Pty2/LEI

Explanatory note: the above elements are not currently part of the ISO20022 release of sese.023 used by T2S (ISO20022 Standard Release 2012) and will be introduced as part of the implementation of the CR 612 (Alignment of T2S Messages with ISO Maintenance Releases 2013 – 2017). However, with CR612, LEI dedicated fields will be pruned as part of the T2S customization. Hence, to allow the population of the LEI for Party2 in the dedicated fields, the above elements must be unpruned as part of the CR664 implementation.

No specific storage or processing of the value provided in the LEI fields is required. However, as agreed by the XMAP, a validation rule must be implemented, since LEI can potentially be filled in two different places for Party2. Note that the validation rule shall not prevent that BIC is filled in the Party 2 identification block for matching, while LEI is populated in the dedicated field for information purposes.

The addition of the dedicated LEI field in the T2S GUI is not required by the XMAP. Therefore, adding the LEI field in the Client of the Delivering/Receiving CSD Participant (Party 2) block of the new settlement instruction screen is not required. Nevertheless, as a matter of consistency, and as with any other field that is not processed by T2S but that can be provided in the equivalent message (i.e. the sese.023), it must be possible to inform the LEI for the Party 2, via Additional Information details block, in the new settlement instruction screen.

Two options have been put forward by XMAP for implementing the validation rule in T2S:

Option 1 - Consistency check of LEI values (preferred by great majority of XMAP members):

If LEI is informed in the dedicated LEI field in the settlement instruction message (sese.023), and the Party 2 proprietary identification is also populated with LEI¹, i.e. for matching purposes in T2S, then both, the value in the LEI and the value in the proprietary identification, shall be equal.

In other terms:

In case the LEI is informed in the dedicated LEI field (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/LEI), and the Party 2 Proprietary Identification Issuer (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/Id/PrtryId/Issr) is filled with the value "T2S", then the platform must consider that an LEI is filled in the Proprietary Identification Id (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/Id/PrtryId/Id), and therefore:

The Proprietary Identification Id (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/Id/PrtryId/Id) value must be equal to the value provided in the dedicated LEI field (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/LEI). Otherwise, the settlement instruction will be rejected.

Explanatory note: this implementation option simply ensures the consistency of LEI values in case it is informed in both the Proprietary Identification and the LEI dedicated field.

Option 2 – Consistency check of LEI values and compliance with ISO standards (preferred by a few XMAP members):

If LEI is informed in the Party 2 proprietary identification block in the settlement instruction message (sese.023), i.e. for matching purposes in T2S, it shall also be populated in the dedicated LEI field and both values shall be equal.

In other terms:

In case the Proprietary Identification Issuer (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/Id/PrtryId/Issr) is filled with the value "T2S", then the platform must consider that an LEI is filled in the Proprietary Identification Id (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/Id/PrtryId/Id), and therefore:

The value filled in the Proprietary Identification Id must be equal to the value provided in the dedicated LEI field (SctiesSttlmTxInstr/DlvrgSttlmPties/Pty2/LEI), otherwise the settlement instruction will be rejected.

Explanatory note: this implementation option also ensures that an LEI, if provided for matching purpose in the Party 2 identification block, is also populated in the LEI dedicated field, in accordance with ISO standards (i.e. if informed, LEI shall be included in the LEI dedicated field). In this option, T2S does not perform any validation on the "Client of CSD participant" market practice prioritization logic which recommends that LEI be used for matching if available, before any proprietary identifier. Hence, it allows CSD participants to match on any proprietary identifier (e.g. Tax Id) in the settlement instruction, as today, while in addition being able to provide an LEI in the dedicated field for information purpose.

In the above description of the options for implementing the consistency check, the message tags relate to the delivering settlement Party 2 (i.e. the Client of the delivering CSD participant). Nevertheless, the same would be applied for the receiving settlement Party 2 (RcvgSttlmPties/Pty2).

Submitted annexes / related documents:

Proposed wording for the Change request:

High level description of Impact:

¹ T2S derives that an LEI is informed because the Issuer of the Proprietary Identification is populated with the value "T2S", in line with the market practice technical guideline:
https://www.ecb.europa.eu/paym/t2s/progress/pdf/subadapt/report/technical_guideline_client_of_csd_participant.pdf?7b6df6f4cf1cc9af3b1ce6a1cc154d40

Outcome/Decisions:

- * XMAP written procedure from 4 to 18 August 2017: Ten XMAP participants were in favour of Option1- Consistency check of LEI values while two XMAP participants favoured Option 2- Consistency check of LEI values and compliance with ISO standards
- * CRG teleconference on 27 September 2017: The CRG agreed to put the Change Request on hold.