1. General Information

CR raised by: T2S Project Team	**Institute:** ECB	**Date raised: 17/02/09**
Change Request title: Selection of collateral to be reimbursed		**CR ref. no:** T2S URD 172

Change Request Classification: Clarification *(Typo, Consistency, Clarification, Substance)*	**Status:** Approved by AG
Change Type: New requirement *(New Requirement/Modification/Deletion)*	**Requestor Category:** T2S Project Team *(User, 4CB, ECB T2S Project Team)*
Chapter Number/Annexe Number Chapter 8	**Req No: (If applicable)** T2S.08.870
Priority (S,H,M,L): L	**Proposed implementation date/Release:**

Description of requested change:

For the selection of collateral to be released, from a business perspective, it is proposed that a mechanism that uses the haircut of the collateral to chose which collateral is to be chosen and released for auto-collateralisation. A field for this is included in the static data, which can be retrieved from the collateral management system. The collateral with the lowest haircut should be chosen first and the one with the highest should be released first. Both minimises risk, as the collateral with the lowest haircut should be the least risky and creates the maximum cash for the securities out.

Reason for change and expected benefits/business case:

Defines which collaeral is chosen first and will be released first, if released automatically by T2S

Submitted annexes / related documents:

Proposed wording for the Change Request:

The requirement T2S.08.870 (Release/back transfer of collateral when intraday credit is reimbursed) should be modified as follows:

"As soon as intraday credit is reimbursed in T2S, either automatically by T2S or on demand of the relevant settlement/payment bank, T2S must:

• release collateral for the corresponding amount of intraday credit reimbursed (where there was reservation of collateral); and

• transfer the collateral back onto the securities account from which it was transferred (where there was transfer of collateral).

• the selection of the collateral to be released automatically should be based on the haircut of the security received from the collateral management system providing the credit. The collateral with the highest haircut should be released first."

- Addition of a new requirement: T2S.08.605 - Selection of elegible collateral on stock

"Amongst the earmarket positions elegible for auto collateralisation on stock T2S will use first the collateral which has the lowest haircut."

Outcome of meetings:

* SG Meeting of 5/6 March 2009:

Recommendation to AG for approval

* AG Meeting on 25 March 2009

Approved of SG recommendation.