T2S CHANGE REQUEST FORM

General Information (Origin of Request)
☒ User Requirements (URD) or GUI Business Functionality Document (BFD)
☐ Other User Functional or Technical Documentation (SYS)

Request raised by: Banca d'Italia	**Institute:** Central Bank	**Date raised:** 23/10/2013
Request title: Client-collateralisation: allow payment banks to set up their own list of close links		**Request ref. no:** T2S 0436 URD
Request type: Common	**Classification:** Scope enhancement	**Urgency:** Normal
1. Legal/business importance parameter: High		**2. Market implementation efforts parameter:** Low
3. Operational/Technical risk parameter: Low		**4. Financial impact parameter:** Medium
Requestor Category: Central Bank		**Status:** Implemented

Reason for change and expected benefits/business motivation:

Currently, payment banks can set up in T2S, for client collateralisation purposes, only (i) the list of eligible securities and (ii) the valuation price. Payment banks are not allowed to set up the list of close links data, which can be uploaded in T2S by central banks only.

This change is to allow single payment banks to define in T2S their own list of close links for client-collateralisation purposes, thus fully decoupling the two auto-collateralisation processes (central banks collateralisation and client collateralisation).

Close links data (currently consisting of duets BIC11/ISIN), once entered in T2S, are automatically applied to both central bank collateralisation (offered by the NCBs to the payment banks) and client collateralisation (offered by the payment banks to their clients). Close links data specified by one NCB are applied to all credit providers (NCBs for central bank collateralisation, payment banks for client collateralisation).

The current functional set-up entails serious limitations:

1) There is an inconsistency between the current functional set-up to manage close link data in T2S and the Eurosystem policy.

Central Banks provide close links data in T2S which performs close links checks in real time (on an intraday basis) when auto-collateralisation process is triggered (central bank collateralisation). The current functional set-up entails that only Central Banks can upload data on close links in T2S and these data are applied by T2S to both auto-collateralisation processes.

However, the Eurosystem can share information on capital holdings provided by supervisory authorities only internally and exclusively for monetary policy implementation purposes (Art. 6.2.3.2. of the General Documentation). Providing information on close links in T2S would imply the use of such information in client collateralisation transactions too, i.e. for business purposes, which is not allowed. As a consequence: NCBs are not allowed to upload close links data in T2S at all (i.e. to perform close links check in real time); payment banks are forced to manage close links data outside T2S, since they cannot rely on data provided by NCBs.

However, even if Central Banks could provide data on close links in T2S, we can expect that they would provide only close links data related to ISIN codes which are included in their own list of eligible securities for central bank auto-collateralisation. As a consequence, payment banks would be forced to manage close links checks outside T2S for all those securities (for example, shares) for which Central Banks have not defined close links data in T2S.

2) Leaving aside the problem of inconsistency described above, from a technical point of view, a Central Bank has two other options to perform close links checks in T2S: i) removing ex-ante all assets subject to close links from the list of eligible assets; ii) performing ex-post checks only, on the basis of end-of-day information received by T2S on securities used in central bank collateralisation transactions. In both cases, the Central Bank will not set up the list of close links in T2S.

As a consequence, payment banks could not benefit from real time checks automatically provided by T2S when the auto-collateralisation process is triggered. They would be obliged either: i) to remove ex-ante all assets subject to close links checks from the list of eligible assets or ii) to ask their clients not to earmark these assets for auto-collateralisation and to execute ex-post checks for client collateralisation.

3) NCBs and payment banks are obliged to manage close links information in the same way, whereas they should be allowed to manage such information in different ways.

EXAMPLE 1 - An individual payment bank (BANK A), in a client collateralisation transaction with its client (BANK B), should be free to decide whether to accept or not as collateral an asset issued by a third entity (BANK C) with which BANK B has a close link; the same asset, in turn, could be used by BANK A in an central bank collateralisation transaction with its domestic NCB without any restriction (since there is no close link between Bank A and Bank C).

EXAMPLE 2 - The payment bank (BANK A) may decide not to receive from its client BANK B (in the context of client collateralisation) – except for securities issued by BANK B - securities issued by BANK A itself, because these securities could not be re-used by BANK A in the context of central bank collateralisation with the NCB.

4) Each payment bank does not have the possibility to manage close links information individually (payment banks can have different business strategies when granting credit to the same customer).

Description of requested change:

Each payment bank should be allowed to set up, modify and cancel the list of close links relevant for its own client-collateralisation transactions.

Payment banks should be allowed to set up and delete close links both in U2A and A2A mode.

The list of close links set up by an individual payment bank should be applied in the context of client-collateralisation and only for its own client collateralisation transactions.

Submitted annexes / related documents:

CR-530 (One close link database for Eurosystem NCBs and separate database per non-EUR currency)

CR-572 (A2A message to remove close links)

CR-574 (Applying additional haircuts to own-used assets)

Outcome/Decisions:

* CRG meeting of 16 December 2013: The CRG decided to park the Change Request for a future release of T2S 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 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-0530-URD (One close link database for Eurosystem NCBs and separate database per non-EUR currency) and Change Request T2S-0572-SYS (A2A message to remove close links), therefore a joint implementation is favourable.

* CRG meeting on 4 July 2018: The CRG agreed to update the CR and recommend to the Steering Level the availability of the CR for release allocation.

* AMI SeCo on 16 July 2018 (written procedure): The AMI-SeCo agreed to the recommendation of the CRG

* CSG on 17 July 2018 (written procedure): The CSG confirmed the availability of the CR for release allocation.

* MIB on the 12 September 2018: The MIB has approved the updates on this Change Request.

* PMG on 5 March 2020: The PMG proposed the allocation of this CR to T2S R5.0.

* CRG on 2 July 2020: The CRG took note of the results of the detailed assessment and agreed to recommend to the PMG the inclusion of the CR in R5.2.

* PMG on 10 July 2020: The PMG recommended the inclusion of the CR in the STP for R5.2 for approval by the Steering Level.

* CSG on 7 August 2020: The CSG approved the inclusion of the CR in R5.2.

* NECSG on 7 August 2020: The NECSG approved the inclusion of the CR in R5.2.

* MIB on 27 August 2020: The MIB approved the inclusion of CR-436 in the STP for R5.2.

* OMG on 27 October 2020: The OMG identified no operational impact, but at Payment Banks using this functionality.

* CRG on 19 January 2021: The CRG agreed to update the CR (message documentation)

* OMG on 27 January 2021: the OMG confirmed the earlier operational assessment of CR-436

*OMG on 3 June 2021: the OMG identified an additional operational impact of CR-436 on R5.2

Documentation to be updated:

The relevant requirement of URD 6.0 should be updated as follows (revision marks are used):

Requirement T2S.06.720 (Information on eligible securities):

T2S shall receive information on eligible collateral, and closed links from a Eurosystem central database every time when they are updated (normally once per settlement day).

This information will enable T2S to calculate the collateral value in line with the rules of the Eurosystem in order to process auto-collateralisation in a very short timeframe.

It shall also be possible to receive information on eligible collateral and close links from NCBs that do not belong to the Eurosystem in order to make use of auto-collateralisation for settlement in non-euro currencies using the same interface.

Furthermore, payment banks shall also provide eligible collateral data for client collateralisation purposes.

Requirement T2S.16.690 (Close links) (last paragraph):

An attribute in the securities reference data in T2S will define a security as eligible for collateralisation for central bank money. However, this information will be insufficient to identify cases where a T2S party issues or guarantees an asset or where it has close links with another entity. T2S shall store the identifiers of all securities that are eligible for collateralisation, but not for a specific T2S party, in the party static data. An automated interface shall provide these data to T2S on a daily basis from the relevant Eurosystem database

To identify cases where there are close links between the credit consumer and the security provided as collateral, T2S shall store lists of close links associating T2S parties with the securities to which they have close links. T2S must maintain these data in such a way as to refer to the relevant close links depending on the business scenarios:

   - close links applicable when credit providers are Eurosystem central banks (one list for all EUR central banks);

   - close links applicable when credit providers are non-EUR central banks (one list per non-EUR central bank);

   - close links applicable when credit providers are payment banks in client-collateralisation (one list per payment bank).

The close link information sent to T2S by or on behalf of a credit provider should apply only for the valuation of collateral given to that credit provider.

Table 16-25 – List of Attributes for the Close link

Attribute	Description
System Entity Identifier	This attribute shall specify the system entity identifier of the CSD NCB.
Party Identifier	This attribute shall define the unique technical identifier of the T2S party. It shall link the party in the close link to the party static data.
Security Identifier	This attribute shall define the unique technical identifier of a security in T2S. It shall link the security in the close link to the security static data.
Credit Provider Party Identifier	This attribute specifies the unique technical identifier of the credit provider for which the close link information was provided to T2S.

The relevant sections of the UDFS 5.0 should be updated as follows (revision marks are used):

UDFS Section <1.2.3. Auto-collateralisation eligibility, securities valuation and close links>, page 81

"Central Banks and payment banks are responsible for defining the eligibility for auto-collateralisation purpose of the relevant securities, for providing prices for the valuation of securities positions for auto-collateralisation and . Only Central Banks have the option setting up the relevant close links between parties and financial instruments. Close links data set up by a payment bank are applied only to its own client collateralisation transactions."

STATIC DATA OBJECT	RESPONSIBLE T2S ACTOR	MODE
Auto-collateralisation Rule (Payment Bank)	T2S Operator, CB	U2A
Securities auto-collateralisation eligibility	CB, Payment Bank	A2A/U2A
Securities valuation	CB, Payment Bank	A2A/U2A
Close Link	CB, Payment Bank	A2A/U2A

UDFS Section <1.2.3. Auto-collateralisation eligibility, securities valuation and close links> page 84

"Central Banks and payment banks are responsible for defining the rules which allow identifying these links. T2S receives and stores each piece of this information as a "close link" between the relevant participant and financial instrument in order to prevent the participant from using these securities as collateral. For client collateralisation, close links data are applied only to transactions in which the payment bank providing close links data on T2S is the credit provider."

UDFS Section 1.6.3.3.1 Static data objects, page 650

AREA	OBJECT	RESPONSIBLE T2S ACTORS
Securities	Securities	CSD
	Securities valuation	CB, Payment Bank
	Close link	CB, Payment Bank
	Security CSD link	CSD
	Auto-collateralisation eligibility link	CB, Payment Bank

UDFS Section 3.3.6.21 CloseLinkCreationRequestV01 (reda.027.001.01), page 1348

3.3.6.21   CloseLinkCreationRequestV01 (reda.027.001.01)

3.3.6.21.1 Overview and scope of the message

This chapter illustrates the *CloseLinkCreationRequestV01* message.

The *CloseLinkCreationRequestV01* is sent by CBs, external collateral management systems or payment banks to T2S.

It is used for instructing the creation of a close link by providing details about the close link to be created.

In the response, T2S sends reda.028.001.01 [**Error! Bookmark not defined.**] when the creation of the close link has been successfully processed, queued or has been rejected.

3.3.6.21.2 The T2S-specific schema

Outline of the schema

The message *CloseLinkCreationRequestV01* is composed of the following message building blocks:

MessageIdentification

This building block is mandatory and non repetitive. It must contain an identification assigned by the sending party to uniquely and unambiguously identify the message.

CloseLink

This building block is mandatory and non repetitive. It contains detailed information related to the close link creation message. It includes the following elements:

l Identification for security;

l Party for which the close link shall be created;

l The Party providing credit.

References/Links

The T2S-specific schema and documentation in HTML/PDF format as well as the message examples are provided outside of this document under the following link:

http://www.swift.com/mystandards/T2S/reda.027.001.01_T2S

Business rules applicable to the schema

MESSAGE ITEM	DATA TYPE/ CODE	BUSINESS RULES
CloseLinkCreationRequestV01 Document/ClsLkCreReq	CloseLinkCreationRequestV01	DSC2001 [▶ **Error! Bookmark not defined.**]
SecurityIdentification Document/ClsLkCreReq/ClsLk/SctyId	ISINOct2015Identifier	DSC2030 [▶ **Error! Bookmark not defined.**] DSC2050 [▶ **Error! Bookmark not defined.**]
PartyIdentification Document/ClsLkCreReq/ClsLk/PtyId	SystemPartyIdentification1Choice	DSC2040 [▶ **Error! Bookmark not defined.**]
AnyBIC Document/ClsLkCreReq/ClsLk/PtyId/ OrgId/AnyBIC	AnyBICIdentifier	DSC2050 [▶ **Error! Bookmark not defined.**]
CombinedIdentification /Document/ClsLkCreReq/ClsLk/CdtPr vdrId/CmbndId	SystemPartyIdentification8	DSC2020 [▶ **Error! Bookmark not defined.**]

3.3.6.21.3 The message in business context

Message example: reda.027.001.01_T2S_CreateCloseLink_Example.xml

In this example a CB requests the creation of a close link for security with ISIN "XXABCDEFGHIJ" and party "PARXAABBXXX".

New UDFS Section CloseLinkDeletionRequestV01

UDFS Section 4.1 Index of Business Rules and Error Codes, page 1664

4.1   Index of Business Rules and Error Codes

| BR NAME	DESCRIPTION	INBOUND MESSAGE	REPLY MESSAGE	CODE USE	REASON CODE	ERROR TEXT
DSC2001	When performing a Close Link creation request, the Party Type of the Requestor must be NCB, payment bank or T2S Operator.	reda.027	reda.028		REJT	Requestor not allowed
DSC2020	When performing a Close Link creation request, the Credit Provider Party must refer to an existing and active Party in T2S within the data scope of the requestor with Party Type NCB or Payment Bank.	reda.027	reda.028		REJT	Unknown Credit Provider Party
DSC2050	When performing a Close Link creation request, a link between the same BIC and the same Security for the same Credit Provider must not be already defined.	reda.027	reda.028		REJT	Close Link already defined
DSD2001	When performing a Close Link deletion/restore request, the Party Type of the Requestor must be NCB, Payment Bank or T2S Operator. A user belonging to an NCB can delete/restore only Close Links within their System Entity, while a user belonging to a Payment Bank can delete/restore only Close Links their Party is responsible for.	reda.077	reda.028		REJT	Requestor not allowed
DSD2003	When performing a Close Link delete request, it must refer to an existing Close Link.	reda.077	reda.028		REJT	Unknown Close Link
DSD2014	When performing a Close Link deletion/restore request, the Security Identifier to be restored must refer to an existing instance in T2S	reda.077	reda.028		REJT	Unknown Security

The relevant sections of the GUI User Handbook 5.0 should be updated as follows (revision marks are used):

User Handbook Section 2.5.2.3 Close Links – Search/List Screen, page 671

"This screen is not relevant for ~~payment bank,~~CSD, external CSD or CSD participant users."

User Handbook Section 2.5.2.3 Close Links – Search/List Screen" page 672

The screenshot should be updated as below.
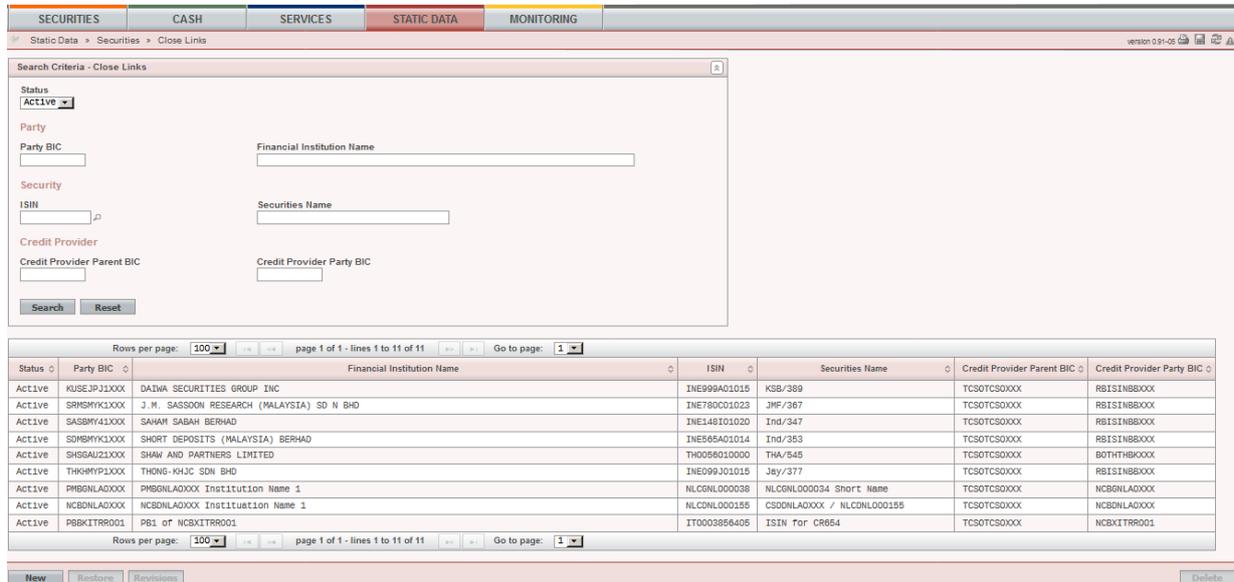
User Handbook Section 2.5.2.3 Close Links – Search/List Screen" page 672

The GUI screen should be updated by adding, in the selection criteria and list items, the party (NCB or payment bank) responsible for the close link(s) as well as the related references for error messages.

Field Description	**Close Links – Search Criteria**	
	Status	Select the status of the close link from the possible values: l All l Active (default value) l Deleted References for error messages [▸ **Error! Bookmark not defined.**]: l DSD2003 l DSD2012
	Party	
	Party BIC	Select the BIC of the party associated to the close link from the drop-down menu or search via the *magnifier* icon. Required format is: max. 11 characters (SWIFT-x) References for error messages [▸ **Error! Bookmark not defined.**]:

**Field
Description**

Close Links – Search Criteria	
	l DSD2013 l DSD2015
Financial Institution Name	Enter the short name of the party associated to the close link. Required format is: max. 107 characters (SWIFT-x)
Security	
ISIN	Select the ISIN of the security from the drop-down menu or search via the *magnifier* icon. Required format is: max. 12 characters (SWIFT-x) References for error messages [▶ **Error! Bookmark not defined.**]: l DSD2014 l DSD2015
Securities Name	Enter the short name of the security. Required format is: max. 35 characters (SWIFT-x)
Credit Provider Party	
Credit Provider Parent BIC	Enter the parent BIC of the Credit Provider Party. Required format is: min. 2 characters, max. 11 characters (SWIFT-x) References for error messages [▶ **Error! Bookmark not defined.**]: l DSD2015 l DSD2020

Field Description

Close Links – Search Criteria	
Credit Provider Party BIC	Enter the BIC of the Credit Provider Party. Required format is: min. 2 characters, max. 11 characters (SWIFT-x) References for error messages [▸ **Error! Bookmark not defined.**]: l DSD2015 l DSD2020

Close Links - List	
Status	Shows the status of the close link from the possible values: l Active l Deleted If the status is set to 'Active', the selected close link cannot be restored. If the status is set to 'Deleted', the selected close link cannot be deleted. References for error messages [▸ **Error! Bookmark not defined.**]: l DSD2003 l DSD2012
Party BIC	Shows the BIC of the party associated to the close link. References for error messages [▸ **Error! Bookmark not defined.**]: l DSD2013 l DSD2015
Financial Institution Name	Shows the short name of the party associated to the close link.
ISIN	Shows the ISIN of the security. References for error messages [▸ **Error! Bookmark not defined.**]: l DSD2014 l DSD2015
Security Name	Shows the short name of the security.

Field Description	**Close Links – Search Criteria**	
Credit Provider Parent BIC	Shows the parent BIC of the Credit Provider Party. References for error messages [▶ **Error! Bookmark not defined.**]:	
	l DSD2015	
	l DSD2020	
Credit Provider Party BIC	Shows the BIC of the Credit Provider Party. References for error messages [▶ **Error! Bookmark not defined.**]:	
	l DSD2015	
	l DSD2020	

| **Buttons**		
Search	This function enables you to start a search according to the criteria entered. The results are displayed in a list on the same screen. Next screen: l *Close links – search/list* screen	
Reset	This function enables you to set default search criteria and blanks out all optional criteria. Next screen: l *Close links – search/list* screen	
New	This function enables you to create a new close link. Next screen: l *Close link – new* screen [▶ **Error! Bookmark not defined.**]	

Restore	This function enables you to restore a previously deleted close link.
	Next screen:
	l *Close links – search/list* screen
	If the status of the selected close link is already set to 'Active', this function is not available.
	References for error messages [▷ **Error! Bookmark not defined.**]:
	l DSD2001
	l DSD2012
	l DSD2013
	l DSD2014
	l DSD2015
	l <u>DSD2020</u>
Revisions	This function enables you to display the revisions of the selected close links.
	Next screen:
	l *Revisions/ audit trail - list* screen [▷ **Error! Bookmark not defined.**]
Delete	This function enables you to delete the selected close link, after confirmation.
	Next screen:
	l *Close links – search/list* screen
	If the status of the selected close link is already set to 'Deleted', this function is not available.
	References for error messages [▷ **Error! Bookmark not defined.**]:
	l DSD2001
	l DSD2003

User Handbook Section 2.5.2.4 Close Link – New Screen, page 675

"This screen is not available for ~~payment bank~~,CSD, external CSD or CSD participant users."

User Handbook Section 2.5.2.4 Close Link – New Screen, page 676

The screenshot should be updated as below.
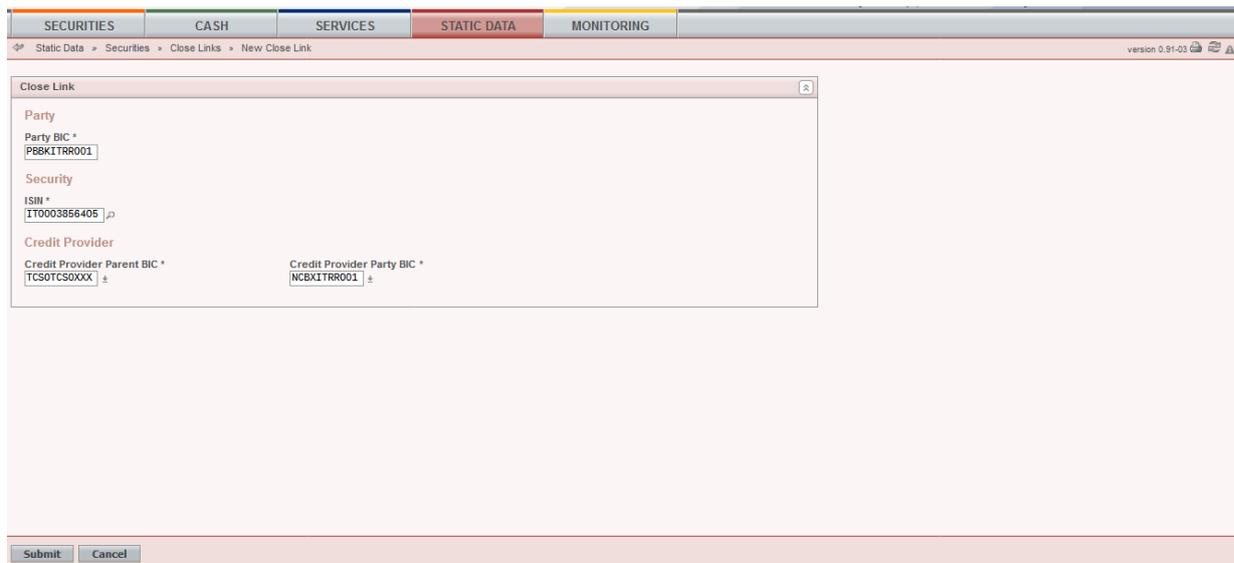
User Handbook Section 2.5.2.4 Close Link – New Screen, page 676

The GUI screen should be updated by adding a mandatory field to select a party (NCB or Payment Bank) responsible for the close link being created. This field should be defaulted to the requestor party if the requestor is a Payment Bank or NCB user. It should also be non-editable if the requestor is a Payment Bank user.

Field Description

Close Link	
Party	
Party BIC*	Select the BIC of the party associated to the close link from the drop-down menu or search via the *magnifier* icon. Required format is: max. 11 characters (SWIFT-x) References for error messages [▸ **Error! Bookmark not defined.**]: ❙　DSC2040 ❙　DSC2050
Security	
ISIN*	Select the ISIN of the security from the drop-down menu or search via the *magnifier* icon. Required format is: max 12 characters (SWIFT-x), input-sensitive References for error messages [▸ **Error! Bookmark not defined.**]: ❙　DSC2030 ❙　DSC2050

Close Link	
Credit Provider Party	
Credit Provider Parent BIC*	You can choose to either enter the parent BIC of the Credit Provider Party or to select it from the suggested items in the drop-down menu. You can also search via the *magnifier* icon.
	If the requestor User belongs to a Central Bank or Payment Bank Party, this field is defaulted to that Party's Parent BIC.
	If the requestor User belongs to a Payment Bank Party, this field is read-only.
	Required format is: max. 11 characters (SWIFT-x)
	References for error messages:
	l DSC2020
	l DSC2050
Credit Provider Party BIC*	You can choose to either enter the BIC of the Credit Provider Party or to select it from the suggested items in the drop-down menu. You can also search via the *magnifier* icon.
	If the requestor User belongs to a Central Bank or Payment Bank Party, this field is defaulted to that Party's BIC.
	If the requestor User belongs to a Payment Bank Party, this field is read-only.
	Required format is: max. 11 characters (SWIFT-x)
	References for error messages:
	l DSC2020
	l DSC2050

Buttons

Submit	This function enables you to create a new close link.
	Next screen:
	l *Close links – search/list* screen [▶ **Error! Bookmark not defined.**]
	References for error messages [▶ **Error! Bookmark not defined.**]:
	l DSC2001
	l <u>DSC2020</u>
	l DSC2030
	l DSC2040
	l DSC2050
Cancel	This function enables you to cancel the process and return to the previous screen.
	Next screen:
	l *Close links – search/list* screen [▶ **Error! Bookmark not defined.**]

User Handbook Section 6.3.3.49 Close Link – Search/List Screen, page 1763

Privilege	Privilege Code	Privilege Type	Object Types	Screen Criteria
Close Links Query	SEQ_CloseLinksQuery	~~System~~ <u>Object</u>	~~n/a~~ <u>Party</u>	n/a

User Handbook Section 6.4.2.51 Close Link – New Screen, page 1902

Reference for error message	Field or Button	Error Text	Description
DSC2001	▌ Submit button	Requestor not allowed	When performing a Close Link creation request, the Party Type of the Requestor must be NCB, Payment Bank or T2S Operator.
DSC2030	▌ ISIN field ▌ Submit button	Unknown Security	When performing a Close Link creation request the Linked Security must exist in Security entity.
DSC2020	▌ Credit Provider Parent BIC field ▌ Credit Provider Party BIC field ▌ Submit button	Unknown Credit Provider Party	"When performing a Close Link creation request, the Credit Provider Party must refer to an existing and active Party in T2S within the data scope of the requestor with Party Type NCB or Payment Bank."
DSC2040	▌ Party BIC field ▌ Submit button	Unknown Party	When performing a Close Link creation request the Linked BIC must exist in T2S BIC Directory entity.
DSC2050	▌ Party BIC field ▌ ISIN field ▌ Credit Provider Parent BIC field ▌ Credit Provider Party BIC field ▌ Submit button	Close Link already defined	When performing a Close Link creation request, a link between the same BIC and the same Security for the same Credit Provider must not be already defined.

User Handbook Section 6.4.2.52 Close Links – Search/List Screen, page 1903

Reference for error message	Field or Button	Error Text	Description
DSD2001	l Restore button l Delete button	Requestor not allowed	When performing a Close Link deletion/restore request, the Party Type of the Requestor must be NCB, Payment Bank or T2S Operator. A user belonging to an NCB can delete/restore only Close Links ~~his NCB is responsible for~~within their System Entity, while a user belonging to a Payment Bank can delete/restore only Close Links their Party is responsible for.
DSD2003	l Status field l Delete button	Unknown Close Link	When performing a Close Link delete request, it must refer to an existing Close Link.
DSD2012	l Status field l Restore button	Unknown Close Link	When performing a Close Link restore request, it must refer to an existing and deleted Close Link

Reference for error message	Field or Button	Error Text	Description
DSD2013	I Party BIC field I Restore button	Unknown BIC	When performing a Close Link restore request, the BIC to be restored must refer to an existing instance in T2S BIC Directory
DSD2014	I ISIN field I Restore button	Unknown Security	When performing a Close Link deletion/restore request, the Security Identifier to be restored must refer to an existing instance in T2S
DSD2015	I Party BIC field I ISIN field I <u>Credit Provider Parent BIC field</u> I <u>Credit Provider Party BIC field</u> I Restore button	Close Link already defined	When performing a Close Link restore request, no other record should exist for the same ~~couple~~ <u>Credit Provider,</u> BIC and Securities in T2S.
<u>DSD2020</u>	I <u>Credit Provider Parent BIC field</u> I <u>Credit Provider Party BIC field</u> I <u>Restore button</u>	<u>Unknown Credit Provider Party</u>	<u>When performing a Close Link restore request, the Credit Provider Party must refer to an existing and active Party in T2S within the data scope of the requestor with Party Type NCB or Payment Bank.</u>

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High level description of Impact:

A new "Credit Provider" Party field will be introduced in the Close Link object to allow Payment Banks to define their own set of Close Links. Central Banks will continue creating their own links but will also be able to create, delete and restore the ones linked to their Payment Banks on their behalf, if required in contingency situations.

The solution identified for this CR presents synergies with the possible solution for CR530 ("One close link database for Eurosystem NCBs and separate database per non-EUR currency").

The implementation of the CR prior to the ECMS go-live may theoretically impact existing NCB collateral management systems. However the working assumption is that T2S NCBs are not currently using the T2S Close Link database. Therefore no constraint on the implementation date for the CR is foreseen (i.e. NCBs will not be impacted even if the CR is implemented before the ECMS go-live).

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION			

	T2S Specific Components		Common Components
LCMM			
	Instructions validation		
	Status management		
	Instruction matching		
	Instructions maintenance		
	Penalty Mechanism		
Settlement			
	Standardisation and preparation to settlement		
	Night-time Settlement		
	Daytime Recycling and optimisation		
	Daytime Validation, provisioning & booking		
	Auto-collateralisation		
Liquidity Management			
	Outbound Information Management		
	NCB Business Procedures		
	Liquidity Operations		
T2S Interface *(as of June 2022 without Static Data Management, Communication for SDMG, Scheduler, Billing)*			
	Communication		
	Outbound Processing		
	Inbound Processing		
Static Data Management *(until June 2022)*		**Common Reference Data Management** *(from R6.0 June 2022)*	
	Party data management		Party data management
X	Securities data management		Securities data management
	Cash account data management		Cash account data management
	Securities account data management		Securities account data management
X	Rules and parameters data management		Rules and parameters data management
Statistics and archive		**Statistics and archive**	
	Statistical information (until June 2022)		Short term statistical information
	Legal archiving (until June 2022)		Legal archiving (from R6.0)
			Data Warehouse (from R6.0)
Information *(until June 2022 containing reference data)*		**CRDM business interface** *(from R6.0 June 2022)*	
	Report management		Report management
X	Query management	x	Query management
			Communication
			Outbound Processing
			Inbound Processing
Operational Services			
	Data Migration (T2S DMT)		Data Migration (CRDM DMT, from R6.0)

Scheduling (until June 2022)		Business Day Management (from R6.0)	
		Business Day Management business interface (from R6.0)	
Billing (until June 2022)		Billing (from R6.0)	
		Billing business interface (from R6.0)	
Operational Monitoring		Operational and Business Monitoring	
OMEGA Templates			

Impact on major documentation		
Document	**Chapter**	**Change**
Impacted GFS chapter		
Impacted UDFS chapter	1.2.3 Auto-collateralisation eligibility, securities valuation and close links	Description of the possibility for Payment Banks to manage close links
	3.3.6.21 CloseLinkCreationRequestV01 (reda.027.001.01)	Inclusion of new business rule DSC2020 and inclusion of payment banks in the description.
	3.3.6.46 CloseLinkDeletionRequestV01 (reda.077.001.01)	
	1.6.3.3.1 Static data objects	Inclusion of Payment Banks as responsible actors for Close Links.
	4.1 Index of business rules and error codes	Inclusion of new business rule DSC2020, update of business rules DSC2001 and DSC2050.
Additional deliveries for Message Specification	reda.027.001.01 CloseLinkCreationRequest	New input fields for Credit Provider Parent BIC and Party BIC. Inclusion of new business rule DSC2020. Message specification to be amened in order to accommodate the new head structure and changes to the Party Identification structure.
		Inclusion of new business rule DSD2020.
	reda.077.001.01 CloseLinkDeletionRequest	
UHB	2.5.2.3 Close Links – Search/List Screen	Inclusion of payment banks and exclusion of CSDs in the description. Screenshot update. New search/list fields for Credit Provider Parent BIC and Party BIC. Inclusion of new business rule DSD2020.
	2.5.2.4 Close Link – New Screen	Inclusion of payment banks and exclusion of CSDs in the description. Screenshot update. New fields for input of Credit Provider Parent BIC and Party BIC. Inclusion of new business rule DSC2020.
	6.3.3.49 Close Link – Search/List Screen (List of Privileges)	Change Close Links Query to object privilege (object type Party)
	6.4.2.51 Close Link – New Screen (references for error messages)	Update of DSC2001 and DSC2050. Inclusion of new business rule DSC2020.
	6.4.2.52 Close Links – Search/List Screen (references for error messages)	Update of DSD2001 and DSD2015. Inclusion of new business rule DSD2020.
Links with other requests		
Links	Reference	CR-0530	Title	

OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT
Summary of functional, development, infrastructure and migration impacts
The Close Link object will be enriched with an additional attribute to reference an existing T2S Party labelled "Credit Provider Party Identifier". This field will reference a NCB Party when the Close Link is applied for Central Bank auto-collateralisation (and the ECB Party when the Close Link refers to all Eurosystem CBs) and a Payment Bank when the Close Link is applied for client collateralisation. In order to maintain Close Links for Eurosystem NCBs, an ECMS User should be defined under the ECB Party. The maintenance of Eurosystem NCB Close Links in contingency situations on T2S side (e.g. in the event of a misalignment with ECMS data) should be requested by the Eurosystem NCBs themselves to the T2S Operator and carried out by means of an operational procedure to be specified.   The related Static Data backend functions, GUI Screens and A2A message will be modified accordingly.   The access rights criteria for querying Close Links will be updated so that: - Users of Central Bank Parties can view Close Links within their own System Entity (i.e. those referencing their own Party as well as those referencing any Payment Bank in their community);   - Users of Payment Banks can view Close Links referencing their own Party;   - The "Close Links Query" privilege will be turned into an object privilege (with secured object Party) and the related query will be modified in order to allow Eurosystem CBs and Payment Banks to also view the Close Links defined within the ECB's System Entity (which are valid for the auto-collateralisation process of all Eurosystem Parties) following the assignment of the correct object privilege.   Payment Bank Parties should be granted the Create/Delete Close Link Privileges as well as the Close Links Query privilege. Eurosystem Central Banks will retain the Create/Delete Close Link Privileges in order to act on behalf of their Payment Banks.   The Close Link List Query will be changed in order to enable users to search for Close Links using the pair of BICs of the credit provider as additional search criteria. This way, also payment banks can specifically query their list of close links set up for client-collateralisation. Additionally, these two new criteria will be shown in the result list.   The Close link analysis performed when evaluating the securities positions will be fully reviewed to take into account the new information in the Close Link object and to distinguish between Eurosystem and non Eurosystem CBs.   Based on the analysis, no switch-on mechanism is required to coordinate the deployment of the new functionality with the ECMS go-live (November 2022) as the Close Link functionality is currently not used in T2S.   Due to a change of the scope of the releases impacts on LTSI (new field in SDMG, update ODS/DWH and SD universe, testing SD (check attribute domain)) and LEA (testing) are included in the reassessment.   **Main cost drivers**:   Impact on Static Data management functions and related GUI Screens/A2A messages (coordination with SWIFT required).   Adapt Query and Flows according to CR.   Impact on collateral valuation function. Assessment performed on the basis of a joint implementation of CR436 and CR530. Should they be implemented in different released, the costs for each of them would be higher.   **Maintenance cost category**: maintenance of new functionality.   **CR category**: scope enhancement.
Impact on other TARGET Services and projects
Impact on CSLD: new field in CRDM has to be reflected in DWH.   No impact has been detected so far on ECMS side.   No impact on TIPS.
Summary of project risk
None.
Security analysis

No potentially adverse effect was identified during security assessment.

30 June 2020

Cost assessment on Change Requests

T2S-436-SYS – Client-collateralisation: allow payment banks to set up their own list of close links			
One-off	Assessment costs* - Preliminary - Detailed	2,000.00 20,000.00	Euro Euro
One-off	Development costs	391,035.84	Euro
Annual	Operational costs - Maintenance costs - Running costs	 32,866.22 0.00	 Euro Euro

*The relevant assessment costs will be charged regardless of whether the CR is implemented (Cf. T2S Framework Agreement, Schedule 7, par. 5.2.3).