

<b>General Information (Origin of Request)</b>		
<input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> Clearstream	<b>Institute:</b> CSD	<b>Date raised:</b> 12/04/2017
<b>Request title:</b> T2S should allow settlement of instructions with an 'AFTER' link to a settled instruction that was subject to conditional securities delivery		<b>Request ref. no:</b> T2S 0659 SYS
<b>Request type:</b> Common		<b>Urgency:</b> Urgent
<b>1. Legal/business importance parameter:</b> High		<b>2. Market implementation efforts parameter:</b> Low
<b>3. Operational/Technical risk parameter:</b> Low		<b>4. Financial impact parameter:</b> Low
<b>Requestor Category:</b> CSD		<b>Status:</b> Withdrawn

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

With T2S CR565, logic was introduced to address the issue that linkage applied to an instruction under COSD might block the settlement of such instruction once the COSD is released (after the external condition is met). As it is a key requirement that released COSD instructions settle ASAP (especially in OUT-CSD settlement scenarios), CR565 implemented logic to

- allows to remove linkages from the leg under COSD
- prevent that another instruction stating a link to an instruction under COSD might affect the settlement of the instruction under COSD

The latter functionality is reflected in two new business rules that were added with CR565 which clarify that T2S will actually disregard any linkage of other instructions to COSD instructions in the settlement logic, so that the instruction under COSD will settle despite the links being stated in the other instruction:

SPST028	A settlement Instruction cannot be submitted to a settlement attempt if it states a link WITH, BEFORE or AFTER an instruction that is under CoSD Hold where this latter has no link to this instruction. Such a link will not prevent the settlement of the instruction on CoSD Hold.	n/a	sese.024	<Pdg>	LINK	Settlement Instruction is unsettled because it states a link WITH, BEFORE or AFTER an instruction that is under CoSD Hold without any links to this instruction.
SPST029	A settlement restriction cannot be submitted to a settlement attempt if it states a link WITH, BEFORE or AFTER an instruction that is under CoSD Hold where this latter has no link to this instruction. Such a link will not prevent the settlement of the instruction on CoSD Hold.	n/a	semt.014	<Pdg>	LINK	Settlement Restriction is unsettled because it states a link WITH, BEFORE or AFTER an instruction that is under CoSD Hold without any links to this instruction.

The wording is, however, not fully unambiguous when it comes to the question what will happen in case of AFTE link, after the instruction under COSD has settled (see Incident INC 185482 and related UT-PBR-79). The expected behaviour was as follows:

- SPST028 says: A settlement Instruction cannot be submitted to a settlement attempt if it states a link WITH, BEFORE or AFTER an instruction that is under CoSD Hold where this latter has no link to this instruction. Such a link will not prevent the settlement of the instruction on CoSD Hold.
- When the CoSD Hold is released, the instruction will settle.
- Then the instruction is no longer "under CoSD Hold", and therefore the AFTER link should be considered in the settlement. As a result, the instruction stating the AFTE link should settle.

The experienced system behavior is, however, that the instruction stating the AFTE link does not settle. Instead, no settlement is attempted at all. The instruction remains unsettled until it is cancelled.

UT-PBR-79 provides the clarification of this behavior: if the instruction is under COSD, no non-reciprocal link is created at all. Amendments on instructions under COSD are not allowed and creating a non-reciprocal link is considered equivalent to an amendment on the targeted instruction.

While this is fully correct for BEFO and WITH links, this is not required for AFTE links. Namely, an AFTE link does not prevent the settlement of the instruction stated in the linkage. Instead, it only ensures that the instruction stating the link settles AFTER the linked instruction. In other words, there is no functional reason not to apply the AFTE link in case the instruction stated in the linkage is under COSD.

This CR is requesting to apply AFTE links to instructions under COSD.

This would avoid processing issues on the CSD side in scenarios where received positions must be segregated immediately after their receipt (e.g. in the context of TEFRA D related segregation). In case such receipts arise through instruction under COSD (e.g. OUT-CSD, or foreign currency DVP), it is not possible to link a segregation instruction with a WITH link. However, this could be done with an AFTE link in combination with priority 1 on the segregation instruction. (It should be noted that no other workaround exists.)

**Description of requested change:**

T2S should create non-reciprocal AFTE links to COSD instructions to ensure that the instruction containing the link AFTE settles once the COSD instruction is released and settled. As long as the instruction under COSD is pending, the instruction containing the link AFTE will fail to settle and the business rule SXAA018 (Failure of the settlement attempt due to a link with a settlement instruction or a settlement restriction in failure) should be applied.

**Submitted annexes / related documents:**

N/A

**Proposed wording for the Change request:**

The business rules SPST028/029 should be modified

SPST028	A settlement Instruction cannot be submitted to a settlement attempt if it states a link WITH <u>or</u> BEFORE <del>or AFTER</del> an instruction that is under CoSD Hold where this latter has no link to this instruction. Such a link will not prevent the settlement of the instruction on CoSD Hold.	n/a	sese.024	<Pdg>	LINK	Settlement Instruction is unsettled because it states a link WITH <u>or</u> BEFORE <del>or AFTER</del> an instruction that is under CoSD Hold without any links to this instruction.
SPST029	A settlement restriction cannot be submitted to a settlement attempt if it states a link WITH <u>or</u> BEFORE <del>or AFTER</del> an instruction that is under CoSD Hold where this latter has no link to this instruction. Such a link will not prevent the settlement of the instruction on CoSD Hold.	n/a	Semt.014	<Pdg>	LINK	Settlement Restriction is unsettled because it states a link WITH <u>or</u> BEFORE <del>or AFTER</del> an instruction that is under CoSD Hold without any links to this instruction.

**High level description of Impact:**

**Outcome/Decisions:**

- \* CRG meeting on 24 April 2017: The CRG recommended to launch the preliminary assessment on the Change Request.
  - \* Operational Mangers Group on 4 May 2017: During a written procedure from 26 April - 4 May 2017, the Operations Managers Group did not identify any blocking operational impact of the Change Request.
  - \* CRG meeting on 04 July 2017: The CRG agreed to categorise the Change Request as corrective/maintenance. The CRG put the Change Request on hold for discussion in the context of the next prioritisation exercise.
  - \* CRG on 15 November 2019: CR-659 was withdrawn by its initiator.
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Preliminary assessment:

- **Impact:** Low
- **Impacted modules:** SETT, LTSI
- **Findings:**
  - No additional findings to the ones already discussed in the CRG