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: Eurosystem	**Institute:** Bundesbank	**Date raised:** 02/03/2020
Request title: Definition of a classification of transactions for CB T2S data		**Request No.:** T2S 0733 SYS
Request type: Common	**Classification:** Maintenance	**Urgency:** Normal
1. Legal/business importance parameter[1]: High		**2. Market implementation efforts parameter[2]:** Low
3. Operational/Technical risk parameter[3]: Low		**4. Financial impact parameter[4]:** High
Requestor Category: Eurosystem		**Status:** Implemented

Reason for change and expected benefits/business motivation:

In the context of the specifications of the T2-T2S Consolidation (CSLD) project, and in view of adapting the current TARGET2 statistical classification framework for the T2 data to the Data Warehouse Common Component (DWH), the TARGET Services Working Group (TSWG) agreed on a new classification of transactions for T2 (i.e. CLM – Central Liquidity Management and RTGS – Real-time Gross Settlement components) to be implemented in the DWH.

The current classification logic of TARGET2 transactions needed to be reviewed because of the next context that the T2-T2S CSLD project brings:

- Broader classification range compared to today that should reflect the distinction between the different TARGET Services. Also, rules for classifying comparable transactions across the different services (e.g. liquidity transfers) should be consistent;
- New static data configurations to be considered e.g. multi-currency aspect or new transaction types as automated liquidity transfers (LTs);
- Technical changes as the migration to ISO20022 also impact the existing rules.

After the go-live of the T2-T2S CSLD project, CB users with the relevant privileges accessing the DWH will be able to access both T2 and T2S data of the CB. However due to the fact that there is no classification defined for the T2S data, CBs would not be able to benefit from the DWH as a tool where they can see and analyse their cash transactional data based on a homogenous framework for T2 and T2S data.

The classification of transaction data is particularly relevant to ensure a common understanding of the definition and perimeter of the different transaction types and related business cases, as well as to provide the basis for the development of an appropriate statistical framework.

A proper classification of transactions can support analytical work from an operational and business perspective. It also ensures that internal and external business statistics are based on a homogeneous framework.

Description of requested change:

A classification framework for T2S cash related data should be defined in the DWH following the principles agreed for the classification of transactions in T2 (CLM and RTGS):

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[1] Legal/business importance parameter was set to High because by classifying data in a homogeneous way, CR-733 will increase the usability and correctness of the Data Warehouse for users and for analytical purposes

[2] Market implementation effort parameter was set to Low because CR-733 does not require any adaptation by T2S users

[3] Operational/technical risk parameter was set to Low because the classification of data is not expected to interfere with T2S operations

[4] Financial impact parameter was set to High following this classification: Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

1) The first layer defines the settlement service classifier and is identified by a letter;

2) The second layer defines the transaction class and is identified by a two-digit number;

3) The third layer defines the transaction category and is identified by a two-digit number.

The DWH should include the following parameters for the classification of T2S cash related data:

Service classifier	Transaction Class[5]	Transaction Category	Description
S - T2S cash related data	30 - Liquidity Transfers	00 - Intra	Intra-service liquidity transfers between two T2S DCAs.
		10 - CLM	Inter-service liquidity transfers between a T2S DCA and a MCA.
		20 - RTGS	Inter-service liquidity transfers between a T2S DCA and a RTGS DCA.
		40 - TIPS	Inter-service liquidity transfers between a T2S DCA and a TIPS DCA.
	31 - Settlement		All other cash movements on T2S DCAs which are not related to liquidity transfers, auto-collateralisation, reimbursement, substitution or relocation. Settlement restrictions on cash should also be excluded.
	32 - Auto-collateralisation	01 – on flow	Recourse to auto-collateralisation using the securities exchanged in the transaction as collateral to obtain the necessary credit to complete the transaction.
		02 – on stock	Recourse to auto-collateralisation using other securities already held by the buyer as collateral to complete the transaction.
	33 - Reimbursement	01 - Intraday	Manual repayment of T2S auto-collateralisation operations that takes place before the automated. Reimbursement.

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[5]Transaction class 34 – Substitutions cannot be identified. Substitutions : Cash movements related to the automatic mechanism through which T2S replaces the securities used as collateral in an auto-collateralisation operation if they are needed for settling a settlement transaction.

		02 - Automated	Automatic reimbursement performed by T2S at 16:30 (RMIC event).
		03 - Forced	Forced reimbursement due to negative remaining amount after a decrease of the auto-collateralisation limit set by a CB.
		04 - Dynamic	Dynamic reimbursement performed by T2S in case securities used as collateral should be needed for the settlement of another transaction
	35 - Relocation		Cash movements related to the relocation of collateral from T2S to RTGS at EOD.

The access to data in DWH based shall follow the same principle on data segregation that exists today in T2S based on access rights configuration. This means that a CB user in the DWH shall only be able to access those transactions or data which are within his data scope according to its access rights configuration.

In addition to the above, additional filters are defined to complement the classification. Such filters shall be available in the DWH to be applied by users to further streamline specific business cases within one category. There can be "global filters", when they apply to transactions across all TARGET services, or "local filters", if they apply only to a specific service and can be "mandatory" [M] or "optional" [O].

Global filters	**Filter values**
Liquidity Transfer Direction [M]:	- I: Incoming Liquidity. - O: Outgoing Liquidity. - T: Technical Liquidity Transfer (only for CLM). - S: Intra-Service Liquidity Transfer.
Settlement Window [M]:	- 1: CLM Real time Settlement-Window 1 – Transactions settled during the Real Time CLM Settlement phase. - 2: RTGS Settlement-Window 1 – Transactions settled during the RTGS Settlement Window 1. - 3: RTGS Settlement-Window 2 – Transactions settled during the RTGS Settlement Window 2. - 4: T2S Night-Time-Settlement – Transactions settled during the T2S night-time phase. - 5: T2S Real-Time-Settlement – Transactions settled during the T2S real-time phase. - 6: TIPS – Payments settled in TIPS (available around the clock).

Component System Payments [O]:	- I: Intra-Component system payments, for which the debited and the credited accounts belong to the same central bank. - E: Extra-Component system payments, for which the debited and the credited accounts belong to different central banks.
Liquidity Transfer Type [M]:	- I: Immediate – In case immediate liquidity transfers initiated by the participant. - A: Automated – Transfer of liquidity initiated by CLM sent to RTGS in order to transfer liquidity from the linked RTGS DCA due to a queued/pending CBO (Central Bank Operation). - R: Rule-Based Floor/Ceiling: A CLM/RTGS Account Holder can define a rule-based inter-service liquidity transfer due to a floor and/or ceiling rule, in order to push/pull the needed liquidity to/from the linked DCA in RTGS/MCA in CLM. - Q: Rule-based Queued: An RTGS Account Holder can define a rule-based inter-service liquidity transfer due to pending urgent payment orders, AS transfer orders or high priority payment orders, in order to pull liquidity from the linked MCA in CLM. - S: Standing order – In case of recurring order to transfer liquidity. - P: Predefined – Liquidity transfer with which a T2S actor can specify to move liquidity from a T2S Dedicated Cash Account to an external RTGS account once at a predefined point in time or related to business event.

Local filter (T2S cash data)	Filter values
Asset type[6] [O]:	- SHRS: Shares - SOVR: Sovereign bonds - DEBT: Bonds or securitised debts - SECU: any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures - ETFS exchange-traded funds (ETFs) - UCITS units in collective investment undertakings, other than ETFs - MMKT Money Market Instruments - EMAL Emission allowances

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[6] These are taken from the Classification of Financial Instruments (CFI) as defined in the Article 4(1)(61) of Directive 2014/65/EU (MIFID 2).

	- OTHR Others (miscellaneous)

Submitted annexes / related documents:

Outcome/Decisions:

* CRG on 30 March 2020: The CRG agreed to initiate the preliminary assessment of CR-733.

* CRG on 28 August 2020: The CRG took note of the results of the preliminary assessment and recommended CR-733 for authorisation by the T2S Steering level.

* AMI-SeCo on 8 September 2020: The AMI-SeCo agreed to the recommendation of the CRG.

* CSG on 9 September 2020: the CSG agreed to authorise the CR.

* NECSG on 9 September 2020: the NECSG agreed to authorise the CR.

*MIB on 3 November 2020: the MIB agreed to authorise CR-733.

* PMG on 19 January 2021: the PMG launched the detailed assessment of CR-733 in a view to R6.0.

*CRG on 07 July 2021: the CRG agreed to the inclusion of CR-733 in the scope of R6.0.

*OMG on 07 July 2021: the OMG identified no additional operational impact from the inclusion of CR-733 in R6.0.

*PMG on 08 July 2021: the PMG launched the detailed re-assessment of CR-733 in a view to R6.2.[7]

*CRG on 17 November 2021: the CRG agreed to recommend to the PMG the inclusion of CR-0733 in the scope of R6.2.

*OMG on 18 November 2021: the OMG identified no operational impact from the inclusion of CR-0733 in R6.2.

*PMG on 19 November 2021: the PMG agreed to recommend the inclusion of CR-0733 in the scope of R6.2.

*CSG on 01 December 2021: the CSG approved the inclusion of CR-733 in the scope of R6.2

*NECSG on 01 December 2021: the NECSG approved the inclusion of CR-733 in the scope of R6.2

*MIB on 02 December 2021: the MIB approved the inclusion of CR-733 in the scope of R6.2

* CRG on 29 August 2022: the CRG agreed to recommend the de-scoping of CR-733 from R6.2 and its inclusion in R2023.JUN.

* PMG on 31 August 2022: the PMG agreed to the de-scoping of CR-733 from R6.2 and its inclusion in R2023.JUN.

* CSG on 07 September 2022: the CSG approved the de-scoping of CR-733 from R6.2 and its inclusion in R2023.JUN.

* NECSG on 07 September 2022: the NECSG approved the de-scoping of CR-733 from R6.2 and its inclusion in R2023.JUN.

* MIB on 16 September 2022: the MIB approved the inclusion of CR-733 in the scope of R2023.JUN.

* PMG on 25 May 2023: the PMG agreed to recommend to the T2S Steering Level the descoping of CR-0733 from R2023.JUN.

* CSG on 30 May 2023: the CSG approved the removal of CR-0733 from the scope of R2023.JUN.

* NECSG on 30 May 2023: the NECSG approved the removal of CR-0733 from the scope of R2023.JUN.

* MIB on 30 May 2023: the MIB approved the removal of CR-0733 from the scope of R2023.JUN.

* CSG on 14 June 2023: the CSG approved the inclusion of CR-0733 in the scope of R2023.NOV.

* NECSG on 14 June 2023: the NECSG approved the inclusion of CR-0733 in the scope of R2023.NOV.

* MIB on 21 June 2023: the MIB approved the inclusion of CR-0733 in the scope of R2023.NOV.

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[7] After concerns by the PMG on the late deployment plan for R6.0 the PMG requested to launch the the detailed re-assesment of T2S-0733-SYS with a view of R6.2. The PMG also requested to consider a re-classification of the data accumulated from R6.0 on. However after 4CB considerations that not a full data consistency of the pre R6.2. data could be assured the CRG/TAG agreed to only perform the classification from R6.2. on (confirmed to 4CB on 15.09.2021).

Documentation to be updated:

Preliminary assessment:

Detailed assessment:

EUROSYSTEM ANALYSIS – GENERAL INFORMATION	
T2S Specific Components	**Common Components**

T2S Specific Components		Common Components	
LCMM			
	Instructions validation		
	Status management		
	Instruction matching		
	Instructions maintenance		
	Penalty Mechanism		
Settlement			
X	Standardisation and preparation to settlement		
X	Night-time Settlement		
	Daytime Recycling and optimisation		
	Daytime Validation, provisioning & booking		
X	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
	Securities data management		Securities data management
	Cash account data management		Cash account data management
	Securities account data management		Securities account data management
	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)
		x	Data Warehouse (from R6.0)
Information *(until June 2022 containing reference data)*		**CRDM business interface** *(from R6.0 June 2022)*	
	Report management		Report management
	Query management		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
	MOP Contingency Templates		

Impact on major documentation

Document	Chapter	Change
Impacted GFS chapter		
Impacted UDFS chapter		
Additional deliveries for Message Specification (UDFS, MyStandards, MOP contingency templates)		
UHB		
External training materials		

Links with other requests

Links	Reference		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 object for classification is related to the Cash Posting, other objects e.g. Settlement Instruction and Liquidity Transfer have to be taken into account.

The following filter values are not applicable for the T2S classification:
Global filter: Liquidity Transfer Direction, Filter value: T
Global filter: Settlement Window, Filter values: 1, 2, 3, 6
Global filter: Liquidity Transfer Type, filter values: A, R, Q,

In principle transaction class 30 can be identified, but distinction of LTs by service for the categories will be complex due to differences in the underlying operational data model compared to CLM/RTGS, but it seems feasible at current stage. Details to be confirmed during implementation.
The same iterative procedure as for the definition of T2 classification will be used (involvement of TAG).

For classification of data between Go-Live of DWH and Implementation of the CR only one option for calculated data for ACO on flow, ACO on stock, Dynamic Reimbursement and substitution is feasible (and already aligned with TAG task force on classification):
• Start classification with implementation of CR to avoid the break on the above mentioned data.

Global filter: Liquidity Transfer Type, filter value: R will be implemented with CR720 for T2S.

Main cost drivers

• The main cost driver is the analysis of the data needed for the classification and the mapping of the classes/filter.
• Creation of a new function in charge of extracting and analysing at a given point of the Business Day (to be defined) all the settled collections with ACO related settlement transactions (intraday credit setup) or settled reverse settlement transactions (reimbursement).
For each ACO settlement transaction, the function will calculate the amount of collateral used on flow and/or stock, according to functional criteria to be defined at the IDFS design step.
For each Reverse settlement transaction settled in a collection, the function will identify whether it belongs to one of following categories:

- o   Intraday Reimbursement: Reverse settled following to a release requested by the credit consumer,
- o   Forced Reimbursement: Reverse settled following to a NCB Limit update which leads to a negative auto-collateralisation headroom,
- o   Automatic Reimbursement: Reverse settled following to the event RMIC,
- o   Dynamic Reimbursement: Reverse selected and settled by the Booking process in order to solve a lack of securities.

It shall not be possible to design the function in order to identify the ACO or Reverse settlement transactions settled in the context of the Substitution due to the complexity of this mechanism.

Hence transaction Class 34 (Substitution) cannot be provided.

- •   Update of the Hold Release Cancel service in order to log the Release of a Reverse settlement transaction requested by the Credit consumer, so that the new function may rely on such an information to identify such a settlement transaction as belonging to the Intraday Reimbursement category.

- •   Update of the Forced Reimbursement Manager function in order to log the Reverse settlement transactions selected upon the reception of the "Decreased NCB limits Event" so that the new function may rely on such an information to identify those settlement transactions as belonging to the Forced Reimbursement category.

Impact on other TARGET Services and projects
CSLD: no impact.
ECMS: no impact.
TIPS: no impact.
TARGET2: no impact
Summary of project risk
None
Security analysis
No potentially adverse effect has been identified during the detailed assessment.

target | T2S

09 November 2021

Cost assessment on Change Requests

T2S-733-SYS – Definition of a classification of transactions for CB T2S data			
One-off	Assessment costs* - Preliminary - Detailed	 2,000.00 20,000.00	 Euro Euro
One-off	Development costs	502,498.10	Euro
Annual	Operational costs - Maintenance costs - Running costs	 43,172.67 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).