

## **T2S CORPORATE ACTIONS STANDARDS**

### **MARKET CLAIMS**

This document sets out the market standards for the processing of market claims in the context of TARGET2-Securities (T2S).

The standards have been endorsed by the T2S Advisory Group (AG), and are addressed to all CSDs and NCBs in T2S and to their users, including CCPs.

All CSDs and their users, including the CCPs, should abide by these standards for all activity on T2S, and from the first day of such activity on T2S. CSDs and their users including CCPs, should have already implemented these standards prior to the start of T2S user testing, in accordance with the relevant synchronisation point<sup>1</sup> in the T2S Programme Plan.

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<sup>1</sup> A synchronisation point is a key milestone that seeks to ensure the alignment of the readiness status of a CSD with the T2S Programme at key stages of the project by determining whether the stakeholders deliver what they expect from each other at specific points in time.

It is also to be hoped that all European CSDs will, where applicable, abide by these standards for non-T2S settlement, so that a single harmonised European process be achieved.

The AG has mandated the Corporate Actions Subgroup (CASG) to support and monitor implementation of the standards.

## 1. General comments

- The standards set out in this paper are based on a functional approach to market claim processing. The standards have been drawn up as best T2S market practices with the aim of introducing harmonisation in cross-CSD settlement in T2S.
- The CASG gap analysis aims at identifying any potential barriers (legal, regulatory, operational or fiscal) for their timely implementation (prior to T2S testing) by T2S markets. .
- The T2S CA standards build on the Standards of the CESAME2 mandated Corporate Actions Joint Working Group (CAJWG), i.e. the *market standards for CA*. These market standards have been endorsed by all relevant industry associations<sup>2</sup> (July 2009). These same associations are using a revised version of the market standards (2012).
- The T2S CA standards are built on the principle that it is possible to distinguish functionally between the processing related to a corporate action on *stocks* or holdings (for example, the distribution of a cash dividend to record date holders) and the processing related to a corporate action on *flows* (for example, the generation and processing of a market claim).
- The standards are valid for all transactions in T2S<sup>3</sup> (i.e. both for transactions between two participants of the same CSD and for cross-CSD settlement).

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<sup>2</sup> European Issuers, European Central Securities Depositories Association (ECSDA), European Association of Clearing Houses (EACH), Federation of European Securities Exchanges (FESE), European Banking Federation (EBF), European Association of Cooperative Banks (EACB), European Savings Banks Group (ESBG), European Securities Services Forum (ESSF/SIFMA)

<sup>3</sup> In line with CAJWG standards, T2S CA standards should apply to all securities used for direct investments (equities, fixed income instruments) deposited and settled in Book Entry form with an (I)CSD in Europe; investment funds listed and traded on a regulated trading venue should be processed, where possible, in accordance with the applicable standards.

- In line with the market standards, cash payments which are the result of corporate action events should be paid via the same “payment mechanism” as any standard DVP activity. In the T2S context this means that the T2S currency cash entitlements which are the result of corporate actions should be paid via the T2S Dedicated Cash Accounts (DCAs) and not outside of the CSD/T2S environment.
- The standards take as working assumptions the T2S functionalities as reflected in the T2S User Requirements Document (URD) v5.02.<sup>4</sup>

Market Claims Definition:

As per the market standards for CA, a market claim is a *process to reallocate the proceeds of a distribution to the contractually entitled party.*

*The T2S CA standards, being standards on **flows**, focus on the scenario where the contractually entitled party has not received the underlying securities (there is a pending underlying transaction) at close of business on Record Date.*<sup>5</sup>

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<sup>4</sup> [http://www.ecb.europa.eu/paym/t2s/pdf/URD\\_v5\\_02.pdf?9ec374be60248c6f40739664402afd66](http://www.ecb.europa.eu/paym/t2s/pdf/URD_v5_02.pdf?9ec374be60248c6f40739664402afd66)

<sup>5</sup> However, and in line with the market standards for CAs, the T2S standards also cover the scenario where the buyer creates the market claim to the seller, when trade date is on or after Ex Date and Actual Settlement Date is on or before Record Date (i.e. there is no pending transaction). In some markets this case is referred to as “reverse market claim”.

## 2. Scope of market claim standards

The scope of application of these standards covers in principle all securities transactions. These are among others, settlement of trades on the “spot (or cash) market transactions” (*transactions related to a securities trade, either against payment or not*) as well as settlement related to stock loans, portfolio/assets transfers, repos etc. The T2S CA standards recognise the business need for counterparties in the underlying transaction to be able to bilaterally “opt-out” from the market claim procedure on a transaction by transaction basis, where relevant (see standards 6 and 7).

The standards are primarily focused on the need to establish a best market practice framework for processing market claims in the cross-CSD settlement environment of T2S. Market claims management within a single CSD framework is de facto easier to manage and is the sole responsibility of the CSD in question (with no need to interact with other CSDs on pending transactions) whereas market claims in a cross-CSD environment is more complex. The challenges for cross-CSD settlement and market claims come from the fact that (at minimum) two CSDs are involved in the transaction chain.

These standards cover all financial instruments eligible for settlement in T2S.

### 3. Market Claims Standards

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
Claims Detection	1	<i>Who will detect market claims?</i>	For a given transaction, a market claim should be detected by the two Instruction Owners CSDs (IOCs), or the CCP(s) where applicable, of the two counterparties in the transaction.	<p><b>Rationale:</b></p> <p><b>See also Explanatory note on market claims and transformations detection</b></p> <p><b>“Instruction Owner CSD” (IOC):</b> is defined as the CSD that provides the securities accounts on which the participant has sent an underlying instruction. The definition also includes the case where the CSD participant maintains a direct technical connectivity to T2S. There are always two IOCs per transaction, the IOC can be the same CSD if the transaction is between two of its participants. This role can be assigned either to the Issuer CSD or the Investor CSD, depending on the settlement chain scenario. By definition, the IOC is always aware of the pending instructions of its own participants.</p>
	2	<i>What mechanism will be used to detect market claims?</i>	This is at the discretion, and is the responsibility, of the IOCs and the CCPs of the counterparties.	<p><b>Background Info:</b></p> <p>For example, CSD/CCP queries a Corporate Action Events database in which they operate in their local systems and a pending transactions database. For active events on an ISIN, the transaction database is consulted to identify transactions that meet the date criteria for claim generation.</p>
	3	<i>What should be the maximum detection period for market claims?</i>	Maximum time period for claim detection: 20 T2S opening days from record date.	<p><b>Background Info:</b></p> <p>The maximum detection period is in line with the CAJWG standards.</p> <p>This standard does not contradict the unlimited recycling period in T2S.</p>

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	4	<i>When will the market claims be detected?</i>	Market claims should be detected after the close of business on record date and during the rest of the claims detection period.	
	5	<i>How frequently will market claims be detected during the day?</i>	After record date, the mechanism should operate at a minimum once a day after the end of standard T2S daytime settlement processing (“End of Day” in T2S URD) and prior to the start of the next settlement day (“Start of Day” in T2S URD).	<p><b>Background Info:</b></p> <p>The Group took note though, that due to recent market volatility movements, there may well be advantages for a frequency higher than once a day, especially for those CSDs and markets with high volume of cross-CSD activity.</p>

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	6	<i>Will some transactions be excluded from market claims detection?</i>	<p>As a general principle, market claims should be detected for all transactions.</p> <p>However, counterparties in the underlying transaction may choose to “opt-out” if they want to indicate that no claim at all should be raised on a given transaction.</p>	<p><b>Background Info:</b></p> <p>The opt-out will be done on the underlying transaction when this (the underlying transaction) is instructed or amended in T2S, i.e. before the market claim takes place. The opt-out will be instructed by both parties by using an opt-out ISO transaction condition indicator<sup>6</sup>. This needs to be an <i>additional</i> matching field in T2S (if one counterparty includes it then it becomes mandatory matching field that needs to be matched against the other counterparty’s instruction).</p> <p>The opt-out transaction condition indicator is not specific to market claims but to all CAs transaction management activity. It enables the counterparties in a transaction to opt-out from any CAs transaction management arrangements (as per CAJWG standards).</p> <p>Matching is required and, if included, the opt-out indicator should not be matched to blank (i.e. indicator not included) in T2S</p> <p>Possible Scenarios:</p> <table border="1" data-bbox="1285 900 2076 1184"> <thead> <tr> <th data-bbox="1285 900 1563 983">Deliverer’s instruction</th> <th data-bbox="1563 900 1841 983">Receiver’s instruction</th> <th data-bbox="1841 900 2076 983">T2S platform action</th> </tr> </thead> <tbody> <tr> <td data-bbox="1285 983 1563 1034">blank</td> <td data-bbox="1563 983 1841 1034">blank</td> <td data-bbox="1841 983 2076 1034">Matching</td> </tr> <tr> <td data-bbox="1285 1034 1563 1085">opt-out</td> <td data-bbox="1563 1034 1841 1085">blank</td> <td data-bbox="1841 1034 2076 1085">no matching</td> </tr> <tr> <td data-bbox="1285 1085 1563 1136">opt-out</td> <td data-bbox="1563 1085 1841 1136">opt-out</td> <td data-bbox="1841 1085 2076 1136">Matching</td> </tr> <tr> <td data-bbox="1285 1136 1563 1184">blank</td> <td data-bbox="1563 1136 1841 1184">opt-out</td> <td data-bbox="1841 1136 2076 1184">no matching</td> </tr> </tbody> </table>	Deliverer’s instruction	Receiver’s instruction	T2S platform action	blank	blank	Matching	opt-out	blank	no matching	opt-out	opt-out	Matching	blank	opt-out	no matching
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<sup>6</sup> The field tag in sese.023 is Document/SciesStlmTxInstr/StlmParams/StlmTxCond/Cd. Value “NOMC” represents Opt-out. When opt-out is not required for the transaction the indicator should not be sent in the ISO message.

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	7	<i>Can counterparties deviate from the standard market claim procedure?</i>	Counterparties in the underlying transaction may choose to include the ex/cum indicator only if they want to deviate from the standard market claim procedure, as described in the CAJWG standards.	<p><b>Background Info:</b></p> <p>The counterparties in the original transaction should include the ISO ex/cum transaction condition indicator<sup>7</sup> when instructing (on the underlying transaction) either the CSDs or T2S directly if they want to override the standard market practice for market claim detection. Matching is required and, if included, the ex/cum transaction condition indicator should not be matched to blank (i.e. indicator not included) in T2S.</p> <p>The ex/cum indicator classifies as an “additional matching field” in the T2S URD terminology. If one counterpart includes it then it becomes a mandatory matching field that needs to be matched against the other counterparty’s instruction.</p> <p>Possible Scenarios:</p> <table border="1" data-bbox="1290 780 2078 1318"> <thead> <tr> <th data-bbox="1290 780 1563 866">Deliverer’s instruction</th> <th data-bbox="1563 780 1839 866">Receiver’s instruction</th> <th data-bbox="1839 780 2078 866">T2S platform action</th> </tr> </thead> <tbody> <tr> <td data-bbox="1290 866 1563 916">blank</td> <td data-bbox="1563 866 1839 916">blank</td> <td data-bbox="1839 866 2078 916">Matching</td> </tr> <tr> <td data-bbox="1290 916 1563 965">ex</td> <td data-bbox="1563 916 1839 965">ex</td> <td data-bbox="1839 916 2078 965">Matching</td> </tr> <tr> <td data-bbox="1290 965 1563 1015">ex</td> <td data-bbox="1563 965 1839 1015">blank</td> <td data-bbox="1839 965 2078 1015">no matching</td> </tr> <tr> <td data-bbox="1290 1015 1563 1064">blank</td> <td data-bbox="1563 1015 1839 1064">ex</td> <td data-bbox="1839 1015 2078 1064">no matching</td> </tr> <tr> <td data-bbox="1290 1064 1563 1114">ex</td> <td data-bbox="1563 1064 1839 1114">cum</td> <td data-bbox="1839 1064 2078 1114">no matching</td> </tr> <tr> <td data-bbox="1290 1114 1563 1163">cum</td> <td data-bbox="1563 1114 1839 1163">ex</td> <td data-bbox="1839 1114 2078 1163">no matching</td> </tr> <tr> <td data-bbox="1290 1163 1563 1212">cum</td> <td data-bbox="1563 1163 1839 1212">cum</td> <td data-bbox="1839 1163 2078 1212">Matching</td> </tr> <tr> <td data-bbox="1290 1212 1563 1262">cum</td> <td data-bbox="1563 1212 1839 1262">blank</td> <td data-bbox="1839 1212 2078 1262">no matching</td> </tr> <tr> <td data-bbox="1290 1262 1563 1318">blank</td> <td data-bbox="1563 1262 1839 1318">cum</td> <td data-bbox="1839 1262 2078 1318">No matching</td> </tr> </tbody> </table>	Deliverer’s instruction	Receiver’s instruction	T2S platform action	blank	blank	Matching	ex	ex	Matching	ex	blank	no matching	blank	ex	no matching	ex	cum	no matching	cum	ex	no matching	cum	cum	Matching	cum	blank	no matching	blank	cum	No matching
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	8	<i>What are the specific criteria for rules to detect market claims?</i>	As per CAJWG standards, market claims should be detected only for matched instructions (i.e. irrevocable transactions).	
Claims Generation	9	<i>Who will generate instructions for market claims settlement in T2S?</i>	<p>Market claims should be generated only by the two IOCs (or the CCPs) of the two parties to the transaction.</p> <p>IOCs and CCPs should also generate market claims on behalf of their clients who have access to direct technical connectivity to T2S.</p> <p>Those clients should not generate market claims in T2S.</p>	<p><b>Rationale:</b></p> <p><b>See also “Explanatory note on market claims and transformations detection”</b></p> <p>If instead of both IOCs sending instructions, only one IOC generates the market claims, then the following risks / problems arise:</p> <ul style="list-style-type: none"> <li>(i) a participant may be debited cash based on a market claim generated by a CSD with which it has no contractual relationship;</li> <li>(ii) a participant may be exposed to differences in market claim generation depending on the multiple CSDs of its counterparties;</li> <li>(iii) a participant would see on a market claim the references of the CSD that generated the market claim but not the references used by its own CSD.</li> </ul>

<sup>7</sup> Transaction condition indicator: Specifies the conditions under which the transaction is to be settled (Field tag in sese.023 is Document/SciesStlmTxInstr/TradDtls/TradTxCond/Cd). For Release 1 of T2S, the T2S platform will identify **only** the values “ExCoupon” and “CumCoupon”, which are to be used as generic “Ex” and “Cum” values. All other values will be ignored (considered blank).

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	10	<i>What types of market claim instructions can be generated?</i>	<p>For each outturn (result of CA entitlement), there should be the generation of a separate market claim instruction.</p> <p>Types of market claim instructions:</p> <ul style="list-style-type: none"> <li>(i) FOP transfer of securities (receipt and delivery)</li> <li>(ii) Payment free of delivery (PFOD) transfer of cash;</li> </ul> <p>The payment currency of the (cash) market claim should be the same as the currency of the original corporate action. The currency of the original corporate action is defined by the issuer of the underlying security.</p> <p>In case the currency of the corporate action payment is not a <i>T2S Settlement Currency</i>, then the counterparties in the underlying transaction should decide between them how to settle the cash entitlement outside T2S.</p>	<p><b>Background Info:</b></p> <p>T2S will not provide payment facilities for market claims which generate cash payments in currencies not eligible for settlement in T2S. T2S is a CeBM settlement engine, and payment will only take place in dedicated cash accounts connected to NCBs who provide liquidity to T2S (i.e. NCBs and markets connected to T2S).</p>

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	11	<i>How will fractions of securities be treated?</i>	<p>When the generation of a market claim instruction results in outturn securities fractions, the number of outturn securities in the market claim instruction should be rounded down to the nearest whole number. Furthermore:</p> <p>a) In case the issuer does not compensate investors for remaining securities fractions, then no further action is required by IOC</p> <p>b) In case the issuer compensates investors for remaining securities fractions with cash, an additional PFOD transaction should be generated by IOC transferring cash to the beneficial owner</p>	<p><b>Background Info:</b>  In principle the number of outturn securities in the market claim instruction should always be rounded down to the nearest whole number whether or not the issuer compensates for resulting fractions of securities.  In the case the issuer has announced in the announcement of the distribution event a reference price compensating securities fractions in cash, the IOC should create an additional transaction crediting the cash corresponding to the fractions to the beneficial owner. The additional transaction should be created with the same characteristics (i.e. status “on hold”) as the underlying transaction. In this case the quantities of the securities are set to zero. The cash amount equals the number of residual fractions multiplied by the “compensation price” as announced by the issuer.  Two scenarios can be contemplated with regard to fractions resulting from generation of market claims:  <i>Scenario 1: According to the issuer’s announcement of the distribution, the issuer does not compensate for fractions resulting from the securities distribution.</i>  Example  Details of the announcement of the securities distribution are:  1 additional ISIN B is distributed for every 3 existing ISIN A <b>with no mention of compensation of the resulting fractions.</b>  Underlying transaction (DVP): X has to deliver 20 ISIN A to Y against EUR 100  The outturn securities quantity for the market claim will be calculated as follows: <math>20 \cdot \frac{1}{3} = 6.6666\dots</math>, rounded down to 6.  The resulting market claim will be:  Market claim (FOP): X has to deliver 6 ISIN B to Y</p> <p><i>Scenario 2: According to the issuer’s announcement of the distribution, the issuer compensates for resulting fractions in securities.</i>  Example (same as above but with compensation of fractions)  Details of the announcement of the distribution are:  1 additional ISIN B is distributed for every 3 existing ISIN A and where fractions of ISIN B result, they are compensated by EUR 9.00 per ISIN B.  Underlying transaction (DVP): X has to deliver 20 ISIN A to Y against EUR 100  The settlement quantity for the market claim to be generated will be calculated as follows: <math>20 \cdot \frac{1}{3} = 6.6666\dots</math>, rounded down to 6 ISIN B. The remaining fraction of 0.6666 ISIN B are compensated by <math>9.00 \cdot 0.6666 = \text{EUR } 6.00</math>.  Resulting market claim transactions are:  Market claim1 (FOP): X has to deliver 6 ISIN B to Y  Market claim2 (PFOD): X has to pay EUR6.00 to Y with regards to ISIN B</p>

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	12	<i>Does the settlement instruction relating to a market claim require a specific ISO code?</i>	Yes, in order to be able to identify market claims, a specific ISO transaction type code <sup>8</sup> “CLAI” <sup>9</sup> should be used in the settlement instructions.	<p><b>Rationale:</b></p> <p>Market claims should in principle be processed like normal settlements and hence the same rules should apply (e.g. see standards 23-25).</p> <p>Nevertheless, there exist some differences between market claims and other standard settlements:</p> <ul style="list-style-type: none"> <li>• They are only generated by the IOC (or CCPs) and not by the directly connected T2S users;</li> <li>• Since market claims are often processed by different departments than the underlying settlement instructions, use different messaging and have tax implications, they need to be distinguished from other T2S transactions.</li> </ul> <p><u>Furthermore</u>, the market claim is a relatively 'new type' of instruction and there is no practical handling experience (i.e. practical uncertainty).</p> <p>For these reasons, a specific ISO transaction type code is considered necessary for market claims, so that they can be clearly distinguishable from normal settlement, in case it needs a specific processing and/or handling by CSDs and their participants.</p>

<sup>8</sup> Transaction type code: a field that identifies the nature of, purpose of, and/or reason for the transaction in the message.

<sup>9</sup> Field tag in sese.023 is Document/SciesStlmTxInstr/StlmParams/SciesTxTp/Cd, with value “CLAI”.

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	13	<i>What rules will be used to calculate the amounts in a market claim?</i>	<p>For any individual ISIN, or any individual category of securities, all CSDs/CCPs that accept such securities should use the same rules to generate market claims. The rules, or terms, are defined by the issuer for each corporate action event.</p> <p>The issuer should pass them onto the issuer CSD and made available by the issuer CSD to all of its clients, including the Investor CSDs.</p>	<p><b>Rationale:</b></p> <p>CSD will calculate the “entitled proceeds” based on the terms of the CA event. Since all CSDs will use the same terms, and the same rule of calculation for tax and rounding (as determined in the CAJWG standards), this should ensure that all involved CSDs will come to the same results.</p>
	14	<i>Does the tax status of the receiving and/or delivering account affect the amount of cash/securities to be transferred?</i>	<p>For the settlement of market claim itself (as settled in T2S), the tax statuses of the receiving/delivering accounts should have no direct effect on the amount of cash/securities to be transferred.</p> <p>For a specific ISIN and a specific event, the amount of cash/securities to be transferred should be dependent solely on the number of securities in the underlying transaction.</p> <p>This means that for a specific ISIN and a specific event, the rate of the market claim should always be the same, and should be fixed by the issuer CSD. (The claim could be an indemnity at, for example, 100% of the gross dividend, or could be a gross or net dividend amount).</p> <p>Subsequent, or in parallel, to the market claim, a withholding agent could process tax adjustments.</p>	<p><b>Rationale:</b></p> <p>As settlement in T2S of market claims would occur directly on the cash and securities accounts of the CSD participants, it is difficult to imagine a process whereby the tax status of the accounts does affect the amount transferred. There are numerous problems, including the question of whether a CSD would need to know the tax status of the account of a participant in another CSD, and how the withholding tax adjustments would be effected with relation to transfers between CSD participants with accounts with different tax statuses.</p> <p>One consideration is that the separation of the core market claim processing from the withholding tax implications may generate some level of risk for the withholding agent. To some extent, such risk is inherent in the function of withholding agent (and all CSDs and intermediaries do have the option as to whether they wish to act as a withholding agent); however, it would be good for such risks to identified, and (if possible) minimised.</p>

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	15	<i>Which T2S dedicated cash accounts will the generated market claim use?</i>	The CSDs/CCPs generating the market claim will identify which T2S dedicated cash accounts should be used.	
	16	<i>Does the market claim settlement instruction(s) require matching in T2S?</i>	Yes. Matching is required for all market claims settlement instructions.	<p><b>Background Info:</b></p> <p>All options for instructing and matching are available to CSDs and CCPs as is the case with other T2S settlement instructions (i.e. bilateral matching in T2S and matching outside T2S).</p> <p>In some cases, CCPs and CSDs may be able to send already matched instructions to T2S; an example of such a possible case is a market claim between two participants of the same CSD.</p>
	17	<i>With which references is the market claim instructed in T2S?</i>	Each CSD/CCP will include in the market claim settlement instruction sent to T2S appropriate references so that its participant can identify and process the claim satisfactorily.	<p><b>Background Info:</b></p> <p>Possible references include: T2S reference of the underlying transaction<sup>10</sup>, and IOC corporate action event reference.</p> <p>From a T2S system specification perspective, these references are only for information purposes (for CSDs participants) as these references do not trigger any specific processes in T2S (other than standard settlement).</p>

<sup>10</sup> T2 S Technical Identifier of settlement instruction. See T2S URD Chapters 14 and 16.

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	<b>18</b>	<i>With which dates will the market claim settlement instruction be generated in the context of T2S?</i>	The market claim should be instructed in T2S by using as trade date of the claim, the same date as the trade date of the underlying transaction. The settlement date of the market claim should be the payment date of the underlying corporate action.	<p>The ISD of the market claim should be the payment date of the underlying CA, irrespective of the creation date of the market claim, i.e. whether the market claim is created on/before or after the payment date of the CA.</p> <p>The market claim should be sent to T2S before sequence 4 of the first night-time settlement cycle, in which all instructions on CA on flow instructions are attempted for settlement for the first time<sup>11</sup>. When the market claim is created after the payment date of the CA (i.e. the ISD of the generated market claim will be in the past), its settlement will be attempted immediately in T2S (i.e. at the earliest settlement date).</p>
	<b>19</b>	<i>With which status is the market claim instructed?</i>	The market claim transaction should be instructed with the same status (i.e. either ‘on hold’ or ‘released’) as the underlying transaction.	<p><b>Rationale:</b></p> <p>In an omnibus environment, deliveries are ‘on hold’ (‘frozen’) for settlement by the account servicer until the underlying client has the requisite holding. This is done to prevent one client from using another client's securities. In case of a market claim to deliver securities the omnibus account will most probably have enough securities to settle the delivery, but the underlying client may not - thus necessitating the delivery to be ‘on hold’ (‘frozen’) for settlement until the requisite holding has been verified.</p>
<b>Lifecycle of Market Claim</b>	<b>20</b>	<i>Who can amend a market claim?</i>	The standard T2S rules for amending settlement instructions should apply.	<p><b>Background Info:</b></p> <p><i>Covered in T2S URD, section 5.4 “Instruction maintenance”.</i></p> <p>T2S allows CSDs and CCPs to define the settlement instructed in T2S by them as being modifiable or non-modifiable by the CSD participants. This will allow CSD participants to hold, release, amend and cancel settlement instructions where applicable.</p>

<sup>11</sup> See T2S UDFS, Section 1.4.4 Detailed description of the settlement day

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	21	<i>What elements in the pending market claim transfer can be amended?</i>	The standard T2S rules for amending settlement instructions should apply.	<p><b>Background Info:</b>  <i>Covered in T2S URD, section 5.4.2 “Amendment options”.</i></p> <p>T2S only allows T2S System Users to amend “process indicators” (i.e. those attributes of a settlement instruction that determine whether the instruction is relevant for a specific action or activity in T2S e.g. partial settlement, auto-collateralisation, settlement priority, linked instruction, on hold).</p> <p>To amend matching or non-matching fields, the instruction must be cancelled and reinstructed.</p>
	22	<i>Who can cancel the market claim?</i>	The standard T2S rules for cancelling settlement instructions should apply.	<p><b>Background Info:</b>  <i>Covered in T2S URD, section 5.4 “Instruction maintenance”.</i></p> <p>T2S allows that CSDs and CCPs to define the settlement instructed in T2S by them as being modifiable or non-modifiable by the CSD participants. This will allow CSD participants to hold, release, amend and cancel settlement instructions where applicable.</p>



Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	23	<i>After instructing in T2S, is the lifecycle of the market claim affected by the lifecycle of the underlying transaction?</i>	<p>In line with the CAJWG standards, the settlement of a market claim should be independent from the settlement of the respective underlying transaction.</p> <p>However, market infrastructures should provide to their participants a user friendly facility which gives them the option to ensure that the market claim is not settled prior to the settlement of the underlying transaction.</p>	<p><b>Rationale:</b></p> <p>The agreement on the non-linking was based on the following considerations:</p> <ul style="list-style-type: none"> <li>• with the implementation of the market standards on distributions, in particular the sequence of ex-date, record date and payment date the number of market claims is expected to be significantly reduced;</li> <li>• the continuously increasing offerings of CCP services in cash equity markets will further reduce the number of market claims and mitigate – but not eliminate – counterparty risk and risk management concerns;</li> <li>• in the cross border / cross CSD T2S environment a standard needs to be established, i.e. it is not a solution to delegate the standard / default rule to the issuer CSD;</li> <li>• the operational complexity (e.g. in the case of partial settlement) and resulting cost at CCP and (I)CSD level resulting from linking the market claim and the underlying transaction are deemed substantial.</li> </ul>
Settlement of Market Claim in T2S	24	<i>What are the conditions for settlement of the market claim?</i>	<p>In line with standard T2S settlement conditions will include: (i) payment date has been reached, (ii) resources (cash and/or securities) are available.</p>	<p><b>Background Info:</b></p> <p>As per standard 17, the settlement date of the market claim should be the payment date of the underlying CA event.</p>

Sub-process	Standard number	Topic / Question	T2S Standard	Explanatory Comment
	25	<i>Is partial settlement possible?</i>	There should be no partial settlement for market claims in cash. Partial settlement should be limited to market claims in securities and take into account the standard T2S rules for partial settlement. Partial settlement indicator of the market claim should replicate the one of the underlying transaction.	<b>Background Info:</b> The T2S rules for partial settlement can be found in <i>T2S URD, section 8.1.5 “Partial settlement procedures”</i> .
	26	<i>What are the recycling rules for pending transactions?</i>	The standard T2S rules for the recycling period should apply.	The standard T2S rules for the recycling period can be found in <i>T2S URD, section 11.1.4 “Recycling periods for pending settlement instructions”</i> .
<b>Reporting</b>	27	<i>Who will report on the generation of a market claim?</i>	Each CSD/CCP generating a market claim will report to its own participant.	
	28	<i>What will be the reporting on the evolution of the market claim?</i>	T2S will provide its standard pending/settled transaction reporting. A CSD/CCP may provide additional reporting to its participant.	<b>Background Info:</b> The T2S standard pending/settled transaction reporting can be found in <i>T2S URD, chapter 13.5 “Requirements for Reports”</i> .