

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: CSD Steering Group (CSG)	Institute: CSD	Date raised: 10/05/2016
Request title: T2S must be able to report 'PENF' settlement status for settlement instructions for which settlement at the Intended Settlement Date (ISD) is no longer possible		Request ref. no: T2S-0609-SYS
Request type: Common	Urgency: Fast-track	
1. Legal/business importance parameter: Critical	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter:	
Requestor Category: CSD	Status: Registered	

Reason for change / expected benefits / business case:

The CSG Task Force (TF) on the Central Securities Depository Regulation (CSDR) is responsible for identifying the necessary T2S changes stemming from the CSDR requirements.

During the discussions on the CSDR requirements, it has been identified that CSDs must keep record of the status of their settlement instructions. Among those statuses, CSDs must be able to distinguish between:

- Pending settlement instructions, for which settlement at the ISD is still possible – reported with status PEND
- Failing settlement instructions, for which settlement at the ISD is no longer possible at the end of the day reported with status PENF

Reference to this requirement can be found in ESMA's Implementation Technical Standards (ITS) on CSD Requirements under CSDR, Annex IV: Reference to this requirement can be found in ESMA's Regulatory Technical Standards (RTS) on CSD Requirements under CSDR, Article 54, Transaction/Settlement Instruction (Flow) Records, points (v) and (w) and the corresponding 'Annex IV: Format of CSD records', Table 1, 'Transaction/settlement instruction (flow) records' (row 21), that defines the actual format to be followed for each record¹².

Currently, T2S reports the settlement status 'PEND' along with a pending reason code (ProcessingReason2Code), which provides the reason for the instruction not being settled. The settlement status 'PEND' is not a code stored in T2S but is computed by T2S for reporting purposes for each impacted message.

For settlement instructions, this status is reported in the status advice message 'sese.024' (Securities Settlement Transaction Status Advice), as well as in the statement of pending instructions report 'semt.018' (Securities Transaction Pending Report). It is also reported in the 'sese.032' T2S generated settlement instructions (Securities Settlement Transaction Generation Notification).

For settlement restrictions, this status is reported in the status advice messages 'semt.014' (Intra-Position Movement Status Advice) and 'camt.067' (Intra-Balance Movement Status Advice), and the corresponding reports for pending settlement restrictions 'semt.034' (Intra-Position Movement Pending Report) and 'camt.085' (Intra-Balance Movement Pending Report).

However, T2S does not differentiate between pending settlement instructions for which settlement at the ISD is still possible, and those for which settlement at the ISD is no longer possible. This information must be derived by the T2S actor by taking into account the Intended Settlement Date of the instruction.

While it could be possible to build this derivation logic on the CSDs' side, it is considered as highly beneficial by the TF to upgrade T2S to do the distinction between pending and failing instructions, i.e. report 'PENF' status. Such change could also facilitate other CSDR requirements concerning the Settlement Discipline regime. The identified drawback resulting from this change is an increased traffic in case status advices are generated to report this change at the end of the day i.e. 'sese.024' (Securities Settlement Transaction Status Advice), 'semt.014' (Intra-Position Movement Status Advice) and 'camt.067' (Intra-Balance Movement Status Advice). As this functionality is already available today, T2S actors must be able to decide whether to receive status advice messages generated by T2S, e.g. sese.024 with 'PENF' status, with appropriate message subscription.

¹https://www.esma.europa.eu/sites/default/files/library/2015/11/2015-esma-1457_-_annex_ii_-_csdr_ts_on_csd_requirements_and_internalised_settlement.pdf

²https://www.esma.europa.eu/sites/default/files/library/2015/11/2015-esma-1457_-_annex_ii_-_csdr_ts_on_csd_requirements_and_internalised_settlement.pdf

Description of Requested Change:

A new settlement status³ 'PENF' must be reported by T2S for failing settlement instructions, i.e. settlement instructions, for which settlement at the ISD is no longer possible, at the end of the business day. This new settlement status must be reported along with a pending reason code according to the existing list (ProcessingReason2Code), as done with the 'PEND' status.

The ISO definition provides guidance as to when to consider a pending transaction as failing: *“A pending transaction (PEND) becomes a failing transaction (PENF) on the settlement date instructed in the message, during the end of day reporting.”*

In line with the above definition, from that point in time, T2S should report the settlement status of pending settlement instructions as 'PENF' instead of 'PEND'.

The change of status shall trigger the generation of status advice messages by T2S to report that the instructions are no longer considered as pending, but failing: 'sese.024' (Securities Settlement Transaction Status Advice), 'semt.014' (Intra-Position Movement Status Advice) and 'camt.067' (Intra-Balance Movement Status Advice), for the T2S actors having subscribed to these messages.

The reporting of 'PENF' status has to be considered as well for settlement instructions submitted to T2S with an ISD in the past.

The reports for pending settlement instructions 'semt.018' (Securities Transaction Pending Report), and restrictions 'semt.034' (Intra-Position Movement Pending Report) and 'camt.085' (Intra-Balance Movement Pending Report), provide the relevant information, i.e. all instructions in the report are expected to also contain the settlement status 'PENF' if applicable.

T2S actors must also be able to query settlement instructions and restrictions based on the 'PENF' status, both in A2A and U2A modes. Since currently, the 'PEND' status is based on an internal T2S query and only built for reporting purposes, i.e. it is not a code flagged at instruction level, the query logic should be adjusted for both 'PEND' and 'PENF':

For PEND instructions:

- Unsettled/PSET + Matched Inx (for SI) with ISD >= CBD if we are not at EoD

For PENF:

- Unsettled/PSET + Matched (for SI) with ISD = CBD and we are at the EoD
- Unsettled/PSET + Matched (for SI) with ISD < CBD

Based on the above, here are below the T2S messages identified as impacted:

For queries and reports:

- Statement of Pending Instructions (semt.018)
- SecuritiesSettlementTransactionAuditTrailReport (semt.022)
- Settlement Transaction Query (semt.026)
- Settlement Transaction Query Response (semt.027)
- Intra-Position Movement Pending Report (semt.034)
- Intra-Balance Movement Pending Report (camt.085)
- IntraPositionMovementQuery (semt.028)
- IntraPositionMovementQueryResponse (semt.029)
- IntraBalanceMovementQuery (camt.078)
- IntraBalanceMovementQueryResponse (camt.079)

For status advises:

- Settlement Instruction Status Advice (sese.024)
- SecuritiesSettlementTransactionGenerationNotification (sese.032)⁴
- Intra-Position Movement Status Advice (semt.014)
- Intra-Balance Movement Status Advice (camt.067)

³ Note that 'PEND' is not a status code in ISO20022 nor in T2S and is only derived for reporting purposes.

⁴ The identified impact on sese.032 would be in the scenario where the underlying business instructions are matched during the End of Day on ISD or after ISD, in which case the sese.032 is expected to contain directly the 'PENF'

These message upgrades should not require an ISO change as 'PENF' is already registered in the list of status codes in ISO20022, only un-pruning for T2S usage.

As for T2S GUI, the following impacts have been identified on U2A screens:

- Settlement Instructions - Search/List Screen
- Settlement Instruction - Details Screen
- Status History – Details Screen
- Revisions/Audit Trail - List Screen⁵
- Intra-Position Movements - Search/List Screen⁶
- Intra-Position Movements - Details Screen
- Intra-Balance Movements - Search/List Screen⁷
- Intra-Balance Movements - Details Screen

The message subscription configuration should be updated so that it is possible to select 'PENF' as Instruction status (\SciesSttlmTxStsAdv\SttlmSts\FIng for the impacted status advices messages: Settlement Instruction Status Advice (sese.024), Intra-Position Movement Status Advice (semt.014), Intra-Balance Movement Status Advice (camt.067), and 'sese.032' (SecuritiesSettlementTransactionGenerationNotification), in case T2S actors do not want to receive these messages (i.e. purely relying on semt.018)⁸.

Submitted annexes / related documents:

Proposed wording for the Change request:

High level description of Impact:

Outcome/Decisions:

⁵ If the same approach is taken as for PEND (i.e. deriving the instructions based on search mechanism), this screen should not be impacted. If however the implementation of a new flag/code is required, GUI screen will be impacted.

⁶ Same as above, impact on the screen depends on design choice

⁷ Same as above, impact on the screen depends on design choice

⁸ In this case, no status advice would be received from T2S for failing settlement instructions ('PENF')