

## Hold – Release mechanism with partial release possibility

### Goal:

1. Diminish outstanding countervalue of transactions
  - a. minimize impact of penalties and buy-in costs (CSDR)
  - b. minimize counterparty risk
2. Diminish fail rate in general – by knock-on effect on other transactions

### Features of a system supporting partial release

- Acceptance of new instructions with Release or Hold option
- System should maintain a “Released Quantity”
- Provision check should use the value of “Released Quantity”
- Validations on Partial Release modification request
  - o Quantity on Partial Release  $\leq$  Settlement Quantity – Already Settled Quantity – Released Quantity (=Quantity on Hold)
  - o Quantity  $\geq$  MSU + Multiple of SUM
  - o **No** validation on PART indicator needed (both party instruction and counterparty instruction)
    - when NPAR on either leg is specified partial release does not take effect, until total quantity is being released.
    - Party / Counterparty can send PART / PARC / PARQ at the same time. Out of sequence processing at system does not have an impact in this case.
  - o **No** validation on available positions needed.
  - o Request can be done before ISD (in case CSD Participant is making a reservation/blocking for the released quantity).
- Partial Hold
  - o Simple solution: Hold without quantity. Puts instruction completely on hold (“Released Quantity” put to 0). Party can send new partial release modification request.  
Drawbacks:
    - More messages needed
    - Sequencing issue can cause unexpected rejects (release quantity > quantity on hold) or behavior (transaction completely on hold ).
  - o Advanced solution: Hold with quantity – Effect “released quantity” diminished with Hold quantity.
    - Validation: quantity requested  $\leq$  “Released Quantity”
- Settlement Process: regular optimization processes / partial settlement processes and windows can be used. Difference as compared with current situation: settlement process looks only at “Released Quantity”.

### Nice to have

- Possibility in new instruction to provide “released quantity”  
Avoids the need of sending 2 messages in sequence (1 new instruction + partial release), with possible sequencing issue.
- Partial Release / Hold on Receipt instructions