

Expiration of cancellation

In T2S the cancellation of a matched trade should be requested bilaterally. T2S calls this 'matching of cancellation request'

When one party requests the cancellation, the system advises the counterparty via a sese.024, cancellation requested.

20 days after the cancellation request, it expires if no matching of the cancellation request has taken place. This happens via a sese.031 (denied) to the account owner (part is aware of the expiration).

The counterparty is not advised of this expiration (no change of status in sese.024).

How should this be handled? Has anybody implemented a Market Practice to inform the counterparty of this expiration?

We have raised the issue to T2S, who has the following answer:

Indeed, there is no T2S ISO status advice for the Cancellation of a "Cancellation Request" and therefore no A2A communication to the counterpart is made in this regard (scenario 2) which is the expected behaviour. This behaviour seems reasonable considering the following facts:

1. The recycling period for Cancellation Instructions is a fixed parameter set to 20 business days. Therefore, whenever the counterparty receives a sese.024 with Cancellation requested, it is clear that if no counterpart cancellation instruction is sent, the initial cancellation instruction will be denied due to the recycling period after 20 business days.
2. The counterpart is able to check the updated status in the Settlement Instruction Details screen of the GUI, in the "cancellation requested" field within the status information box with value = "No". In addition, the report statement of pending instructions (semt.018) generated at EoD also includes the updated information in the "Instruction Processing Status" field.
3. We understand that the business practice is that after the denial of the cancellation instruction due to the recycling period being reached, the T2S actor will send a similar cancellation instruction again, and the counterpart will receive a new Cancellation request status advice accordingly. Even if this is not the case, the acknowledge of the "denial" of the initial cancellation instruction to the counterparty takes place once the counterpart sends its cancellation instruction, the result will be either receiving the matching and execution of the cancellation instruction or a new status advice message with "Pending Cancellation".

Regarding the reasoning behind the recycling period for unmatched/matched instructions, these are configuration parameters compliant with the User Requirement Document (URD) reference ID T2S.11.900. In order to change the current configuration, a change request should be raised to the corresponding group and agree with the rest of the market.