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|--|--|--------------------------------------|
| 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: Monte Titoli | Institute: CSD | Date raised: 15/07/2015 |
| Request title: The complete Statement of Holdings report (semt.002) should include zero positions that have been subject to settlement during the day | | Request ref. no: T2S 0537 SYS |
| Request type: Common | | Urgency: Fast-track |
| 1. Legal/business importance parameter: Medium | 2. Market implementation efforts parameter: Low | |
| 3. Operational/Technical risk parameter: Low | 4. Financial impact parameter: Low | |
| Requestor Category: CSD | Status: Authorised at Steering Level | |

Reason for change / expected benefits / business case:

The "Statement of Holdings" report (semt.002) provides information about the different securities positions of a T2S Actor's securities account in T2S. The positions in a Statement of Holdings are broken down as follows:

1st level: aggregated position (i.e. sum of available and non-available positions).

2nd level: available position (i.e. sum of Deliverable and Earmarked sub-positions) and not available position (i.e. sum of blocked, reserved, collateralized and CoSD blocked positions).

3rd level: Restriction types (i.e. securities positions per restriction type for blocked, reserved and earmarked positions).

4rd level: Restriction references (for blocked and reserved securities positions).

Currently, the complete Statement of Holdings report (semt.002) includes securities positions with a quantity different from zero. Since the the complete statement of holdings report does currently not include zero positions that have been subject to settlement on the current business day, it would be more difficult to:

- reconcile holdings and minimise settlement issues;
- communicate the full view of the securities positions at the time of reporting to clients.

For such cases, the CSDs have to resort to workarounds to extract positions that have become zero due to settlement on the current business day by implementing redundant logic in their systems.

Therefore, the business expectation is that the complete statement of holdings report should include zero positions that have been subject to settlement on the current business day. This includes those positions which either turned zero due to settlement on current date or remained zero but were subject to settlement on the current date. This business expectation is supported by the Securities Market Practice Group (SMPG) in its document for the usage of MT535/semt.002, which also prescribes reporting of zero holdings on the day when they are subject to settlement.

Though it is generally understood that addition of zero positions will increase the size of and costs for a report, it is largely acceptable considering the workaround which will be avoided in CDS system. Reporting of zero positions in the complete Statement of Holdings report (semt.002) will also be consistent with the requirement for the full flat file version of the Statement of Holdings report.

Description of Requested Change:

The complete version of the Statement of Holdings (semt.002) should additionally include zero positions that have been subject to settlement during the current business day. This includes positions that either turn zero or positions that remain zero but were subject to settlement on the current business date.

Submitted annexes / related documents:

Sample Reporting of restriction references for complete Statement of Holdings report

Below example shows the reporting of securities positions in complete Statement of Holdings report in securities positions and Restriction References for reserved and blocked securities.

T2S sends on a daily basis (frequency predefined by the T2S Actor), a complete Statement of Holdings for the securities account 1000000456. The securities account 1000000456 has only the security with ISIN 'ISIN01234567' for which movements are the following:

- On Day 0, there is 100 in AWAS sub-position, 25 in restriction reference RestrRef12 and 75 in restriction reference RestRef13 of blocked sub-position BLK1 and 25 in Earmarked sub-position EAR1

- On Day 1 the blocked reference RestrRef12 with a quantity of 25 and 25 positions from EAR1 sub-position are utilised in settlement.
- On Day 2 the 100 AWAS positions is used completely for delivery. Blocked RestrRef13 with a quantity of 75 is used fully. No positions remain in securities account or its sub-balances. Also, the blocked reference RestrRef21 under BLK2 is created with +50 and reused 50 with result zero in RestrRef21 at report creation time
- On Day 3, 20 positions are received into AWAS sub-position which is further used to create new reference RestrRef14 in BLK1 sub-position.
- There is no change in RestRef21 from day 3 till day 3+3 months. On this day, RestRef21 of BLK2 is purged due to retention rule¹ as Detailed Securities Restriction RestRef21 remained zero till retention period of 3 months. The restriction reference RestRef12 and RestRef13 are still available for use (increase) as they changed within the 3 months.
- On Day 4+3 Months, restriction reference under BLK1 is still available for use (restriction reference BLK1 is not purged as RestrRef14 has non-zero positions). 30 positions are received into AWAS sub-position which is further used to increase reference RestRef12 to 30.
- On Day 5+3 Months, all positions used for settlement. No position remains.
- On Day 6+3 Months, No positions reported and the account is reported with activity indicator as FALSE.

¹ Assuming that T2S has configured a retention period of 3 calendar months, Restriction References with a quantity of 0 will be purged 3 calendar months after the Detailed Securities Restriction turned zero i.e. Restriction References for blocked/reserved positions cannot be reused 3 months after the Detailed Securities Restriction turned zero. The housekeeping rules apply to Detailed Securities Restrictions with a zero quantity only.

The following table provides the reporting of the quantities in the Restriction References and the aggregate positions in the complete Statement of Holdings Report (semt.002).

| Securities Account 1000000456 | Day 0 | Day 1 | Day 2 | Day 3 | ... | Day 3 + 3 Months | Day 4 + 3 Months | Day 5 + 3 Months | Day 6 + 3 Months |
|----------------------------------|-------|-------|--------------|--------------|-----|------------------|------------------|------------------|------------------|
| ISIN01234567 | | | | | | | | | |
| Aggregated | 225 | 175 | 0 | 20 | | 20 | 50 | 0 | no reporting |
| Available | 125 | 100 | 0 | 0 | | 0 | 0 | 0 | no reporting |
| Not Available | 100 | 75 | 0 | 20 | | 20 | 50 | 0 | no reporting |
| Balance breakdown: | | | | | | | | | |
| Securities Position AWAS | 100 | 100 | 0 | 0 | | no reporting | 0 | 0 | no reporting |
| Earmarked EARM | | | | | | | | | |
| Earmarked EARM | 25 | 0 | no reporting | no reporting | | no reporting | no reporting | no reporting | no reporting |
| Securities position EAR1 | | | | | | | | | |
| Securities position EAR1 | 25 | 0 | no reporting | no reporting | | no reporting | no reporting | no reporting | no reporting |
| Securities Position BLCK | | | | | | | | | |
| Securities Position BLCK | 100 | 75 | 0 | 20 | | 20 | 50 | 0 | no reporting |
| Securities Position BLK1 | | | | | | | | | |
| Securities Position BLK1 | 100 | 75 | 0 | 20 | | 20 | 50 | 0 | no reporting |
| RestRef12 | | | | | | | | | |
| RestRef12 | 25 | 0 | 0 | 0 | | 0 | 30 | 0 | no reporting |
| RestrRef13 | | | | | | | | | |
| RestrRef13 | 75 | 75 | 0 | 0 | | 0 | 0 | 0 | no reporting |
| RestrRef14 | | | | | | | | | |
| RestrRef14 | - | - | - | 20 | | 20 | 20 | 0 | no reporting |
| Securities Position BLK2 | | | | | | | | | |
| Securities Position BLK2 | - | - | 0 | no reporting | | no reporting | no reporting | no reporting | no reporting |
| RestRef21 | | | | | | | | | |
| RestRef21 | - | - | 0 | no reporting | | - (Purged) | - | - | - |

“-“ No position existed before/purged

Additional information on reporting of zero positions in the above example

- Zero positions in a restriction type (e.g. AWAS, EAR1, BLK1, BLK2, RES1) are reported, if there was settlement activity in this restriction type during the reporting period.
- Zero positions in the Available and Not Available quantities are always reported even when there was no reporting in any underlying sub-positions that are aggregated into this quantity (Refer reporting on day 3 + 3 month in the example).
- Zero positions in EARM, RESE and BLCK are reported only if there was settlement activity in any sub-positions that is aggregated into this quantity (Refer reporting of EARM on day 2 in the example).
- Zero positions in restriction references for reservation and blocking are reported, if there was settlement activity in the corresponding position type, and also if the quantity in this sub-position is different to zero (i.e. there is any other restriction reference in the same position type with non-zero positions as shown in reporting on day 2 for RestRef12 under BLK1).

Proposed wording for the Change request:

Update of the UDFS by amending the wording of the respective section.

UDFS-Chapter 1.6.4.2.3 Report generation process, page 636**Statement of Holdings**

This report is available in both versions - complete and delta versions. The complete version informs the T2S Actor about the different securities positions per Securities Account at the moment of the report's creation.

The complete version includes securities positions, with a quantity different from zero as well as securities positions with a quantity of zero that have been subject to settlement on the current business day. This includes those positions which either turn zero or remain zero but were subject to settlement on the current business day.

The delta version reflects the current securities positions within a security account, which were either newly created or changed or turned zero. The reflected period starts at the creation of the previous Statement of Holdings of the current settlement day, or by default since the start of day if such report was not already created since the start of the current settlement day.

In case the resulting report message is expected to exceed the network maximum message volume of 32 MB it is split at business level and sent in several messages.

UDFS-Chapter 3.3.7.1.3 The message in business context**Message example 1: semt.002.001.05 T2S StatementHoldings Example.xml**

Message example 1 for reporting of complete statement of holdings report should be updated as follows with equivalent update to message schema in MyStandards documentation.

In this example T2S sends within a daily basis (frequency predefined by the T2S Actor), a complete Statement of Holdings for the securities account 1000000123. The securities account 1000000123 has only the security with ISIN 'ISIN01234567' which movements were the following:

- Setup a blocking restriction of restriction type 'RT01' for a quantity of 3000 securities with restriction reference '456321';
- Setup a blocking restriction of restriction type 'RT01' for a quantity of 5000 securities with restriction reference '963214';
- Setup a blocking restriction of restriction type 'RT02' for a quantity of 6000 with restriction reference '7856321';
- Decrease of blocking restriction of restriction type 'RT03' to zero with restriction reference '5116301';
- Setup an earmarking restriction of restriction type „EA03“ for a quantity of 4000.

The file contains a message with the sample data.

High level description of Impact:**Outcome/Decisions:**

- * CRG meeting of 21 July 2015: The CRG agreed to launch a quick written procedure until 24 July 2015 on whether this Change Request should be recommended for a detailed assessment.
- * CRG written procedure from 21 to 24 July 2015: Following a written procedure, the CRG recommended to launch the detailed assessment of the Change Request.
- * OMG on 4 August 2015: During a written procedure from 28 July to 4 August, the Operations Managers Group did not identify any operational impact of the Change Request.
- * Advisory Group on 7 August 2015: Following a written procedure, the AG was in favour of launching the detailed

- assessment on the Change Request.
- * CSG resolution on 10 August 2015: Following a written procedure, the CSG was in favour of launching the detailed assessment on the Change Request.
 - * OMG on 15 September 2015: During a written procedure from 8 to 15 September 2015, the Operations Managers Group reviewed the detailed assessment on the Change Request and did not identify any operational impact.
 - * CRG meeting of 17-18 September 2015: The CRG recommended the approval of the Change Request and its addition to Release 1.1. In the context of the Operations Managers Group (OMG) operational assessment on the Change Request, the ECB explained that OMG members asked for some clarifications regarding the impact on performance and end-of-day reporting after reaching the 5 million additional reported items. It was explained that, wave 1 CSDs represent 12.5% of settlement instruction volume based on the volumetric assumptions. Given the current number of instructions per day in T2S, the CRG was of the view that a theoretical maximum of about 700,000 position changes per day is expected, thus very far away from the additional 5-million reported items threshold (i.e. threshold on which the 4CB consider that there could be a performance impact if it is exceeded). The 4CB also indicated that the impact on performance would be proportional after reaching the before mentioned threshold.
 - * OMG on 29 September 2015: During a written procedure from 22 to 29 September 2015, the OMG was in favour of adding the Change Request to Release 1.1.
 - * PMG on 29 September 2015: During a written procedure from 22 to 29 September 2015, the Project Managers Group was in favour of adding the Change Request to Release 1.1.
 - * Advisory Group's advice on 8 October 2015: Following a written procedure, the AG was in favour of approving the Change Request and including it in Release 1.1.
 - * CSD Steering Group on 9 October 2015: Following a written procedure, the CSG took the resolution to approve the Change Request and to include it in Release 1.1.

EUROSYSTEM ANALYSIS – GENERAL INFORMATION

| | | | | |
|------------------------------|----------------------------------|---|--|---------------------------------|
| Impact On T2S | Static data management | | Interface | |
| | | Party data management | | Communication |
| | | Securities data management | | Outbound processing |
| | | T2S Dedicated Cash account data management | | Inbound processing |
| | | Securities account data management | | |
| | | Rules and parameters data management | | |
| | | | | |
| | Settlement | | Liquidity management | |
| | | Standardisation and preparation to settlement | | Outbound Information Management |
| | | Night-time Settlement | | NCB Business Procedures |
| | | Daytime Recycling and optimisation | | Liquidity Operations |
| | x | Daytime Validation, provisioning & booking | LCMM | |
| | | Auto-collateralisation | | Instructions validation |
| | | | | Status management |
| | Operational services | | Instruction matching | |
| | | Data Migration | | Instructions maintenance |
| | | Scheduling | Statistics, queries reports and archive | |
| | | Billing | x | Report management |
| | | Operational monitoring | | Query management |
| | | | | Statistical information |
| | | | | Legal archiving |
| | | All modules (Infrastructure request) | | |
| | | No modules (infrastructure request) | | |
| | Business operational activities | | | |
| | Technical operational activities | | | |

| Impact on major documentation | | | |
|---|---|---|--|
| Document | Chapter | Change | |
| Impacted GFS chapter | -- | | |
| Impacted UDFS chapter | 1.6.4.2.3 Report generation process | Add information that the complete Statement of Holdings also contains zero positions | |
| | 3.3.7.1 SecuritiesBalanceCustodyReportV05 (semt.002.001.05) | Apply the update described in the "Impacted documentation" section of the CR assessment in section 3.3.7.1.3. | |
| Additional deliveries for Message Specification | SecuritiesBalanceCustodyReportV05 | Modification of the message example 1 in line with the new scenario described in the UDFS example (i.e. to include the reporting of a RT decreased to zero in the semt.002 example) | |
| UHB | -- | | |
| External training materials | -- | | |
| Other documentations | -- | | |
| 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 complete version of the Statement of Holdings (semt.002) should additionally include zero positions that have been subject to settlement during the current business day. This includes positions that either turn zero or positions that remain zero but were subject to settlement on the current business date.

Summary of impact:

- *The change request will increase the number of positions in the complete Statement of Holding report (semr.002) that is sent out during the critical EoD period.*
- *The current sizing of the system allows for a maximum of 5 million additional positions to be reported without deterioration of the performance.*
- *For the time being 4CB cannot estimate the possible impact in the absence of reliable volume data*
- *In addition, CSDs may opt also for the flat file channel, which will provide a delta Statement of Holdings during the EoD period and a complete Statement of Holdings outside of the EoD period as of the go-live of Release 1.1.*

Summary of project risk

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Security analysis

No potentially adverse effect was identified during the security assessment.

DG - MARKET INFRASTRUCTURE & PAYMENTS
MARKET INFRASTRUCTURE MANAGEMENT

ECB-PUBLIC

7 September 2015

Cost assessment on Change Requests

| T2S-537-SYS – The complete Statement of Holdings report (semt.002) should include zero positions that have been subject to settlement during the day | | |
|---|-----------|------|
| Project phase costs (total) | 30,365.00 | Euro |
| Running costs (annual average over cost recovery period) | 2,712.34 | Euro |