



<b>General Information (Origin of Request)</b>		
<input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> Clearstream	<b>Institute:</b> CSD	<b>Date raised:</b> 03/11/2017
<b>Request title:</b> Storage and reporting of the Beneficial Ownership indicator for Settlement Instructions in T2S	<b>Classification:</b> Regulatory compliance	<b>Request ref. no:</b> T2S 0671 SYS
<b>Request type:</b> Common	<b>Urgency:</b> Urgent	
<b>1. Legal/business importance parameter:</b> High	<b>2. Market implementation efforts parameter:</b> Low	
<b>3. Operational/Technical risk parameter:</b> Low	<b>4. Financial impact parameter:</b> High	
<b>Requestor Category:</b> CSD	<b>Status:</b> Implemented	

**Reason for change and expected benefits/business motivation:**

In case of account transfers of a portfolio from bank A to bank B, there is a need to provide information whether the account transfer contains a change of beneficial ownership or not. Background is MiFIR regulation Article 26 and its respective RTS and guidelines, according to which account transfers with a change of beneficial ownership are reportable within latest one business day whereas account transfers without change of beneficial ownership are not reportable.<sup>1</sup>

In T2S, it is already possible to indicate whether a given transfer will lead to a change of beneficial ownership via the optional "Beneficial Ownership" flag in the "Settlement Parameters" sequence of the sese.023 Securities Settlement Transaction Instruction. This flag contains a YesNoIndicator, which informs whether the transfer leads to a change of beneficial ownership or not.

However, this information is currently categorized as "additional information", and thus it is neither stored in T2S nor provided in any subsequent messages such as allegements, status messages, settlement confirmations and reports.

As a result, the counterparty cannot be made aware via this field whether a given transfer would lead to a change of beneficial ownership or not.<sup>2</sup>

**Description of requested change:**

When the Beneficial Ownership flag is set in a sese.023 Securities Settlement Transaction Instruction, this information shall be stored in T2S, and it shall be reported in the following outbound messages from T2S:

- Sese.028 Securities Settlement Transaction Allegements
- Sese.024 Securities Settlement Transaction Status Advice
- Sese.025 Securities Settlement Transaction Confirmation
- Semt.017 Securities Transaction Posting Report
- Semt.019 Securities Settlement Transaction Allegement Report
- Semt.027 Securities Settlement Transaction Query Response

<sup>1</sup> MiFIR Article 26.1 „Obligation to report transactions" requires: "Investment firms which execute transactions in financial instruments shall report complete and accurate details of such transactions to the competent authority as quickly as possible, and **no later than the close of the following working day.**"

RTS 22 MiFIR Article 3.1 "Meaning of execution of a transaction" specifies: "An investment firm shall be deemed to have executed a transaction within the meaning of Article 2, where it provides any of the following services or performs any of the following activities that result in a transaction: (a) reception and transmission of orders in relation to one or more financial instruments; (b) execution of orders on behalf of clients; (c) dealing on own account; (d) making an investment decision in accordance with a discretionary mandate given by a client; (e) **transfer of financial instruments to or from accounts.**" (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0590&from=EN>).

The respective guidelines "Transaction reporting, order record keeping and clock synchronisation under MiFID II" further state in chapter 5.6.1: „As explained in the introduction to Block 1, CAs are interested in the changes in the ownership of financial instruments for market abuse purposes. **Movements that do not result in a change of ownership are not reportable.**" (<https://www.esma.europa.eu/press-news/esma-news/esma-provides-guidance-transaction-reporting-order-record-keeping-and-clock>).

<sup>2</sup> This limitation was already identified in the EWGPT document on portfolio transfer market practice, which already recommends that a Change Request should be raised on T2S. Until this CR is implemented, a short term workaround is proposed where BO information is carried via Trade ID.

In detail, the following changes are needed:

**1) Sese.023 Securities Settlement Transaction Instruction**

- The Beneficial Ownership flag must be mapped into the T2S internal representation of the settlement instruction. The data model must be extended accordingly.

**2) Sese.028 Securities Settlement Transaction Allegements**

**3) Sese.024 Securities Settlement Transaction Status Advice**

**4) Sese.025 Securities Settlement Transaction Confirmation**

**5) Semt.017 Securities Transaction Posting Report**

**6) Semt.019 Securities Settlement Transaction Allegement Report**

**7) Semt.027 Securities Settlement Transaction Query Response**

- In all six message types, the Beneficial Ownership subsequence must be unpruned. (The ISO messages already contain the information, but the subsequence was pruned in the T2S customized version).
- Whenever a settlement instruction with Beneficial Ownership indicator set is alleged or reported in any of the six messages above, the Beneficial Ownership flag must be reported as set in the instruction to be reported.

**8) T2S GUI:**

- Entry of Beneficial Ownership flag must be supported on **"Settlement instruction – new"** screen via a dedicated attribute (replacing the current option to provide via "Additional information"). It is suggested to add the corresponding attribute under "details".
- Beneficial Ownership flag must be reported in the **"Settlement Instruction – details"** screen. It is suggested to report the information under "detailed information"
- Beneficial Ownership flag must be reported in the **"Allegement Instruction – details"** screen.
- When the button **"New Settlement Instruction"** is clicked in the "Allegement Instruction – details" screen, the new settlement instruction must be created with the same Beneficial Ownership flag as the allegation.

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**Submitted annexes / related documents:**

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**Proposed wording for the Change request:**

\*\*\* The current wording proposal is not to be considered as final as it may be subject to changes/updates during the implementation phase of the Change Request. The final wording including the missing UHB Illustration and the GFS diagram will be provided 6 weeks after the start of the implementation phase of the CR \*\*\*

The following **GFS v7.0** section should be modified:

3.4.2.3 Description of the data related to Settlement Instructions

The Beneficial Ownership Boolean flag will be added.

Diagram needs to be updated

**The following UDFS v4.0 section should be modified:**

Add the Beneficial Ownership flag to the Statement of Transactions Flat File semt.017, following a like-for-like approach regarding the report content.

- A) Section 4.6.3.3 Statement of transactions. Semt.017

The report details will contain the following information:

FLAT FILE COLUMN	COLUMN NAME	FORMAT	DESCRIPTION	RULES
1	Record Type	CHAR(1)	Identifies record as Header, Body or Footer	Values: 'B': for Body
...	...	...	...	...
16	Settlement Transaction Code NOMC	CHAR(4)	Parameters applied to the settlement of a security transfer: <b>I</b> Conditions under which the or-der/trade is to be settled.	This field is optional depending on the information contained in the instruction. Only possible values is:  NOMC: enables the counterparties in a transaction to opt-out from any CAs transaction management
17	<u>Beneficial Ownership Indicator</u>	<u>CHAR(1)</u>	<u>Specifies whether there is change of Beneficial Ownership.</u>	<u>This field is optional, depending on the information contained in the instruction.</u>  <u>Possible values: Y or N</u>
17-18	Partial Settlement Indicator	CHAR(4)	Parameters applied to the settlement of a security transfer:  Specifies whether partial settlement is allowed.	This field is optional, depending on the information contained in the instruction.  Possible values: NPAR, PARC, PARQ, PART
<del>18-19</del>	...	...	...	...

Following **UHB v4.0** the following sections should be updated:

- A) **Section 2.2.2.2 Allegement Instruction – Details Screen:**  
Screenshot: to be provided during the implementation  
Add the Beneficial Ownership flag under the frame “Instruction Details”.

Instruction Details	
Common Reference	Shows the reference provided by the T2S actor when the LCMM instruction is already matched or in order to facilitate the matching

Instruction Details	
	within T2S.
<u>Beneficial Ownership</u>	Shows if there is a change of beneficial ownership: <input type="checkbox"/> <u>Empty (default value)</u> <input type="checkbox"/> <u>Yes</u> <input type="checkbox"/> <u>No</u>
Payment Type Code	Shows if the transaction is to be settled with or without payment from the possible values: <input type="checkbox"/> APMT (for 'Against Payment Settlement') <input type="checkbox"/> FREE (for 'Separate Settlement')

- B) **Section 2.2.2.18 Settlement Instruction – Details Screen:**  
 Screenshot: to be provided during the implementation  
 Add the Beneficial Ownership flag under the frame “Detailed Information”.

Detailed Information	
Common Reference	Shows the reference provided by the T2S actor when the LCMM instruction is already matched or in order to facilitate the matching within T2S.
<u>Beneficial Ownership</u>	Shows if there is a change of beneficial ownership: <input type="checkbox"/> <u>Empty (default value)</u> <input type="checkbox"/> <u>Yes</u> <input type="checkbox"/> <u>No</u>
Repo Reference	Shows the identification of a collateral transaction as assigned by the instructing party.

- C) **Section 2.2.2.19 Settlement Instruction – New Screen**  
 Screenshot: to be provided during the implementation  
 Add the Beneficial Ownership flag under the frame “Details”

Detailed Information	
Common Reference	Enter the reference when the settlement instruction is already matched or in order to facilitate the matching within T2S.  Required format is: max. 16 characters (SWIFT-x-red)
<u>Beneficial Ownership</u>	Select, if there is a change of beneficial ownership: <input type="checkbox"/> <u>Empty (default value)</u> <input type="checkbox"/> <u>Yes</u> <input type="checkbox"/> <u>No</u>

Detailed Information	
Repo Reference	Enter the identification of a collateral transaction. Required format is: max. 16 characters (SWIFT-x-red)

2.4.1.19 Available Report –Statement of Settlement Allegements Details Screen  
Add the Beneficial Ownership flag

Payment Type	Shows the type of the payment from the possible values: <input type="checkbox"/> APMT (for against payment settlement) <input type="checkbox"/> FREE (for separate settlement)
<u>Beneficial Ownership</u>	<u>Shows if there is a change of beneficial ownership</u> <input type="checkbox"/> <u>No</u> <input type="checkbox"/> <u>Yes</u>
Place of Trade Identifier	Shows the identification of the place of trade via the market identifier code. Either this field or the description of the place of trade is available.

2.4.1.21 Available Report - Statement of Transactions Details Screen  
Add the Beneficial Ownership flag

Transaction	
Place of Clearing	Shows the BIC code of the Clearing House involved in the settlement (if any).
<u>Beneficial Ownership</u>	<u>Shows if there is a change of beneficial ownership</u> <input type="checkbox"/> <u>Yes</u> <input type="checkbox"/> <u>No</u>

The following **DMT File Format Specification v1.2.9** should be updated as follows:

Add the Beneficial Ownership flag:

### 3.1.3 Dynamic Data

#### 3.1.3.5 Pending Instruction

- Record Type : "Pending Instruction"

The record is used to create a pending instruction.

Flat file column	Excel Column	Column Name	Format	Description	Rules	Occurs per Record	Occurs per Group
...	...	...	...	...	...	...	...
61	BL	Place of clearing	VARCHAR (11) Text [A-Z]{6,6}[A-Z2-9][A-NP-Z0-9]([AZ0-9]{3,3}){0,1}		Shows the BIC code of the Clearing House involved in the settlement (if any).	0..1	0..1
62	BM	Beneficial Ownership	Possible values: YES NO		Specifies whether there is change of Beneficial Ownership.	0..1	0..1

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### High level description of Impact:

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#### Outcome/Decisions:

- \* CRG meeting on 25 January 2018: The CRG agreed to have the Change Request updated and recommended the launch of the preliminary assessment of the updated Change Request.
  - \* CRG on 26 March 2018: The CRG concluded that the requirements of CR-671 were stable and complete
  - \* CRG on 23 January 2019: The CRG agreed to inform the PMG that CR-671 addressed a regulatory requirement in some T2S markets and should therefore be considered in R4.0.
  - \* PMG on 24 January 2019: The PMG agreed to include CR-671 in R4.0.
  - \* CRG on the 21 May 2019: The CRG recommends to the PMG the inclusion of this Change Request in R4.0.
  - \* OMG on the 22 May 2019: The OMG concluded that this Change Request has no operational impact.
  - \* PMG on the 24 May 2019: The PMG recommends the inclusion of this Change Request in R4.0 for approval by the Steering Level.
  - \* CSG on 13 June 2019: The CSG agreed to approve the STP for R4.0 including CR-671.
  - \* NECSG on 14 June 2019: The NECSG agreed to approve the STP for R4.0 including CR-671.
  - \* MIB on the 18 June 2019: The MIB agreed to approve the STP for R4.0 including CR-671.
  - \* CRG on 3 September 2019: The CRG took note of an update to CR-671 (Storage and reporting of the Beneficial Ownership indicator for Settlement Instructions in T2S), and agreed to the proposed changes in two additional U2A screens.
  - \* OMG on 27 September 2019: The OMG confirmed their previous assessment.
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#### Preliminary assessment:

- **Impacted functionality / module:** LCMM, QUM, LEA
- **Findings:** No further functional, technical and risk related issues have been identified beyond the elements already described in the Change Request.
- **Open issues/ questions to be clarified by the originator:**
- From 4CB point of view, semt.017 flat file and the DMT should always be aligned with the corresponding report (semt.017) and messages (sese.023 and sese.024).
  - Thus, we strongly support to include the update of DMT and flat file in the scope of the CR.
  - If DMT and flat file adjustments are added to the CR scope, the 4CB preliminary assessment would change

- As the Beneficial Ownership subsequence foresees the possibility to include also the information via proprietary code, do we need as well to store and report this information in case it is used? Or shall we limit the change to the Beneficial Ownership flag (Indicator Tag). Depending on the exact scope of the request more information will have to be included in the DB and communication flows (inbound and outbound)

## EUROSYSTEM ANALYSIS – GENERAL INFORMATION

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

**Impact on major documentation**

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The final wording including the missing UHB Illustration and the GFS diagram will be provided 6 weeks after the start of the implementation phase of the CR \*\*\*

Document	Chapter	Change
Impacted GFS chapter	3.4.2.3 Description of the data related to Settlement Instructions	The indicator Beneficial Ownership need to be defined in the T2S Data model
Impacted UDFS chapter	4.6.3.3 Flat File Format Specifications	Add the indicator Beneficial Ownership to the Statement of Transactions, following a like-for-like approach regarding the report content
Additional deliveries for Message Specification	3.3.7.6 SecuritiesTransactionPostingReportV07 (semt.017.001.07)	To unprune elements of "Beneficial Ownership" on MyStandards Usage Guidelines and to update the T2S Use and T2S mapping for the three listed messages.
	3.3.7.8 SecuritiesSettlementTransactionAllegementReportV06 (semt.019.001.06)	
	3.3.8.5 SecuritiesSettlementTransactionStatusAdviceV08 (sese.024.001.08)	
	3.3.8.6 SecuritiesSettlementTransactionConfirmationV07 (sese.025.001.07)	
	3.3.8.8 SecuritiesSettlementTransactionAllegementNotificationV06 (sese.028.001.06)	



	3.3.8.4 SecuritiesSettlementTransactionInstructionV03 (sese.023.001.03)	
	3.3.7.13 SecuritiesSettlementTransactionQueryResponse (semt.027.001.01)	
UHB	2.2.2.18 Settlement Instruction - Details Screen 2.2.2.19 Settlement Instruction - New 2.2.2.2 Allegement Instruction - Details Screen  2.4.1.19 Available Report –Statement of Settlement Allegements Details Screen  2.4.1.21 Available Report - Statement of Transactions Details Screen	Add the indicator Beneficial Ownership. Update: Illustration 41: Settlement instruction - details screen  Illustration 42: Settlement instruction - new screen  Illustration 27: Allegement instruction – details screen  Add the “Beneficial Ownership” field to the screen  Add the “Beneficial Ownership” field to the screen
Other documentations	DMT File format specification: Chapter 3.1.3.5 Pending Instruction	Enrich DMT file to allow entering Beneficial Ownership
Links with other requests		
Links	Reference	Title
<b>OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT</b>		
Summary of functional, development, infrastructure and migration impacts		
<p>The LCMM Database must be enhanced:</p> <ul style="list-style-type: none"> <li>To store the “Beneficial Ownership” indicator for a Settlement Instruction when informed.</li> <li>The different outbound communications specifications related to Settlement Instructions must be aligned in order to allow the reporting of the attributes “Beneficial Ownership” and its elements. For this, the messages blocks for Beneficial Ownership must be unpruned in the corresponding message specifications.</li> </ul> <p>In order to provide information about the Beneficial Ownership for every Settlement Instruction where this information is available, change the Settlement Instruction and Allegement Queries in a way to retrieve this information along with the other data of every Settlement Instruction. This information is then provided in the respective, optional fields in the Settlement Instruction Query Response message (semt.027). In U2A, this information will be shown in the Settlement Instruction Details Screen and Allegement Instruction Details Screen.</p> <p>In order to provide information about the Beneficial Ownership for every Settlement Instruction where this information is available, change the Statement of Transactions (semt.017) and Statement of Settlement Allegements (semt.019) in a way to retrieve this information along with the other data of every Settlement Instruction. This information is then provided in the respective, optional fields in the messages. Additionally, the details screens of these two reports are enhanced with new fields in order to show this information also in the GUI (U2A). Outbound messages and flat files are archived in LEA</p> <p><b>Main Cost drivers:</b> The following activities must be considered:</p> <ul style="list-style-type: none"> <li>Update the instruction database to accommodate Beneficial Ownership information in order to allow its storage and treatment by the different modules of the system.</li> <li>Update the outbound communication processes to enrich the impacted messages and reports with Beneficial Ownership information.</li> <li>Ensure a high-quality delivery, it will be tested the inclusion of the new fields and correct alignment of data base and their reporting. It also considers regression testing to ensure a high-quality delivery in all ways.</li> <li>Testing of flat file reports and DMT to check the correct implementation.</li> <li>We will perform tests to ensure that “Beneficial Ownership” parameters have to be informed in the corresponding messages.</li> <li>Test that the information about the Beneficial Ownership is correctly provided in the respective Query and Report messages and screens</li> </ul>		

- Test that the adapted messages are schema compliant and that the changed screens provide the information correctly
- LTSI data extraction, data model must be enhanced to cover the new information added (Beneficial Ownership indicator for a Settlement Instruction when informed). The new information will be available for reporting through the usage of free queries
- MyStandards documentation will be updated

**Impact on other TARGET Services and/or Eurosystem Projects**

An impact on T2/T2S Consolidation (for common component Legal Archiving) and ECMS (for flat files) has been identified.

**Summary of project risk**

None.

**Security analysis**

No adverse effect has been identified.



## Cost assessment on Change Requests

<b>T2S-671-SYS – Storage and reporting of the Beneficial Ownership indicator for Settlement Instructions in T2S</b>			
One-off	Assessment costs*		
	- Preliminary	2,000.00	Euro
	- Detailed	10,000.00	Euro
One-off	Development costs	414,594.40	Euro
Annual	Operational costs		
	- Maintenance costs	34,000.45	Euro
	- Running costs	0.00	Euro

\*The relevant assessment costs will be charged regardless of whether the CR is implemented (Cf. T2S Framework Agreement, Schedule 7, par. 5.2.3).