**Change Request**

**for the update of ISO 20022 financial repository items**

1. **Origin of the request:**

*A.1 Submitter*: Deutsche Bundesbank on behalf of the Eurosystem / 4CB

*A.2 Contact person:*

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*A.3 Sponsors*: TARGET2-Securities Community

1. **Related messages:**
* Settlement Instruction (sese.023)
* Settlement Instruction Status Advice (sese.024)
* Securities Settlement Transaction Confirmation (sese.025)
* Allegement notification (sese.028)
* Securities Transaction posting Report (semt.017)
* Securities Transaction Pending Report (semt.018)
* Securities Settlement Transaction Query Response (semt.027)

1. **Description of the change request:**

 Add a new SettlementTransactionCondition code:

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| Code  | Code Name | Definition |
| BSSP | Partial successful buy-in | Identification of settlement instructions created as a result of a partial successful buy-in |

1. **Purpose of the change:**

According to CSDR Regulatory Technical Standards (RTS) on Settlement Discipline, in the case where a buy-in is only partially successful (i.e. the full quantity could not be bought-in / settled), “new settlement instructions are entered into the securities settlement system for any non-delivered financial instruments and the CSD receives the information necessary to identify such new settlement instructions accordingly.”

In order to satisfy this requirement, the securities settlement system needs to identify, store,
and report settlement information related to settlement instructions created as a result of partially successful buy-in across its messages. In order to do that a new SettlementTransactionCondition code is required.

The above solution does not impact the ISO transaction type code (which, accordingly, can still inform the same ISO transaction type code as the one of the original transaction).

The settlement instruction messages should contain the ‘BSSP’ settlement transaction condition code allowing to identify that the settlement instruction has been created as a result of a partial successful buy-in.

For further information, please rely on T2S change requests [T2S-0717\_URD](https://www.ecb.europa.eu/paym/target/t2s/governance/pdf/crg/ecb.targetseccrg190523_T2S-0717-URD.en.pdf?bb1d188134102192340429d8472a5e9e) and [T2S-0728\_SYS](https://www.ecb.europa.eu/paym/target/t2s/governance/pdf/crg/ecb.targetseccrg191206_T2S-0728-SYS.en.pdf?988a0f6aaf777fc850c8706373cf24a0).

1. **Urgency of the request:**

The SEG is requested to consider this change request for the next maintenance cycle.

1. **Business examples:**

Some exemptions from the application of cash penalties are mandated by the CSDR. In the T2S penalty mechanism, these exemptions from cash penalties are performed in two ways:

* Ex ante [prior to the calculation process] on an automated basis by the system, e.g. for Corporate Actions on stock identified by “CORP” ISO transaction type code as these transactions are deemed out of scope of the T2S penalty mechanism;
* Ex post [after the calculation of cash penalties] based on the removal request of already computed cash penalties sent by CSDs.

In the context of discussions around the buy-in process, CSDR TF members have identified a specific scenario whereby:

1. A buy-in procedure is triggered, e.g. to deliver 100 securities. The settlement instructions [original transaction] that led to trigger the buy-in are put on [party] hold;
2. The buy-in is initiated by the trading parties but cannot be executed in full, e.g. only 70 securities can successfully be bought in. The resulting instructions for the buy-in for the partial quantity are instructed to T2S. I.e. settlement instructions with ‘BYIY’ code in the ISO transaction type code (sese.023, Settlement Parameters/Securities Transaction Type/Code) and with ISD equal to the business day when they are entered in T2S. Upon successful settlement of the buy-in for the partial quantity, the settlement instructions [original transaction] that led to trigger the buy-in are cancelled[[1]](#footnote-1);
3. New settlement instructions with the same ISO transaction type code as the one of the original transaction must be entered by both parties to settle the remaining quantity, i.e. 30 securities.

As per CSDR requirements, Article 16.3 of Commission Delegated Regulation (EU) 2018/1229, where settlement instructions are entered into a securities settlement system as a result of a partially successful buy-in, cash penalties shall only apply as from the day those instructions are entered into the securities settlement system.

The initial assumption from the CSDR TF was that, similarly to the settlement instructions of the buy-in, also the new settlement instructions resulting from the partially successful buy-in can contain the ISD of the business day they are entered in T2S to avoid undue computation of cash penalties.

However, following further interactions with market participants, CSDR TF members are of the view that the new settlement instructions should be entered with the same ISD as the one of the original transaction, in order to avoid operational complexities for the processing of corporate actions and to facilitate reconciliation.

As a result, after a partially successful buy-in, when the new settlement instructions for the remaining quantity would be entered in T2S with the ISD of the original transaction, an undue Late Matching Fail Penalty (LMFP) would be computed by T2S for the business days between the ISD of the original transaction and the business day the settlement instructions are entered. Upon reporting of such cash penalties, CSD participants should appeal to their CSD and request an ex post removal of the relevant LMFP.

The CSDR TF has identified a solution to automate such exemption. If both settlement instructions of a transaction contain the buy-in code ‘BSSP’ in the Settlement Transaction Condition code, the T2S penalty mechanism shall not compute LMFP for those instructions because T2S identifies they are resulting from a partially successful buy-in.

1. **SEG/TSG recommendation:**

*This section is not to be taken care of by the submitter of the change request. It will be completed in due time by the SEG(s) in charge of the related ISO 20022 messages or the TSG for changes related to the BAH.*

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| **Consider** | X | **Timing** |
|  | - **Next yearly cycle: 2020/2021**(the change will be considered for implementation in the yearly maintenance cycle which starts in 2018 and completes with the publication of new message versions in the spring of 2019) | X |
|  | - **At the occasion of the next maintenance of the messages**(the change will be considered for implementation, but does not justify maintenance of the messages in its own right – will be pending until more critical change requests are received for the messages) |  |
|  | - **Urgent unscheduled**(the change justifies an urgent implementation outside of the normal yearly cycle) |  |  |
|  | - **Other timing:** |  |

Comments:

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| --- | --- |
| **Reject** |  |

Reason for rejection:

1. The cancellation instruction message, sese.020, is populated with the cancellation reason code BYIY that will be added with CR-688 [↑](#footnote-ref-1)