T2S Release 3.2 – Information on the production launch

Clearstream Banking AG, Frankfurt[1] informs customers about the upcoming TARGET2-Securities (T2S) Release 3.2. According to the T2S Release Concept the release will be deployed on

<div align="center">

the weekend 16 and 17 November 2019

for business day, Monday, 18 November 2019

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T2S Release 3.2 – Scope

With the T2S Release 3.2, seven T2S Change Requests (CRs) will be introduced in production. These are already approved at T2S Steering Level. In addition, the resolution for various T2S Problem Tickets (PBIs) will be delivered. In case of urgency and if priority is given, further functional updates might be authorised by the Operational Managers Group (OMG). If such changes are announced by T2S, CBF will inform customers in due time.

With this Announcement, CBF provides the scope elements for T2S Release 3.2.

- **T2S Release 3.2 Overview CRs Version 1.0**

  Two "Editorial Change Requests" were included in the scope elements of the T2S release in November 2019. The latest descriptions of the approved T2S CRs are provided in the attached list. Customers acting in DCP mode will find an indication whether a T2S CR requires an update of the XSD files (please refer to column "XSD Change for DCP"). More details on these requirements can be found in the related ECB documentation[2]. In addition, the XSD files modified for T2S Release 3.2 will be made available for download via MyStandards (SWIFT) end of July 2019.

- **T2S Release 3.2 Problem Tickets**

  Based on the latest reporting, six PBIs[3] have been identified that might have impact on CBF's customers acting in ICP and / or DCP mode. CBF regularly checks the lists of pending PBIs provided by T2S. Experience shows that until a T2S release is launched, additional tickets are authorised for the implementation. Therefore, this Announcement will be updated over the coming months and, if necessary, supplemented with a file of the prioritised fixes.

  - PBI 203818 – Matching is not performed when the number of decimals exceeds the fractional digits defines for "Settlement Unit Multiple (SUM)" of the ISIN

    T2S does not correctly store the decimals of the settlement quantity if filling zeroes exceeds the number of fractional digits of the "Settlement Unit Multiple (SUM)" of the ISIN. Two issues have been detected:

    a) The "Securities Transaction Cancellation Request Status Advice (sese.027)" might be inconsistent for the remaining quantity of an already matched instruction.

    b) The two settlement instructions that are eligible for matching remain unmatched in the system.

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[1] This Announcement is published by Clearstream Banking AG (CBF), registered office at Mergenthalerallee 61, 65760 Eschborn, Germany, registered with the Commercial Register of the District Court in Frankfurt am Main, Germany, under number HRB 7500.

[2] Details about the scope elements of T2S Release 3.2 are published on the ECB's website.

[3] Based on the T2S Status Reporting mid of October 2019.

- **PBI 204501: During the RTS cycle, partial settlement for cross-border instructions are not correctly processed**

  In a context of cross-border settlement, pending Settlement Instructions (SI) allowed for partial settlement are wrongly processed by the RTS optimisation algorithms due to a technical issue. The issue occurred when a technically linked Realignment T2S transactions was partially settled due to lack of securities. In addition, during the Partial Settlement window, the business transaction was forwarded to RTS optimisation algorithms which found a way to fully settle the transaction. The "Validation Provision and Booking module" fully settled wrongly the business transaction alone with a quantity equal to "0" and did not take into account the realignment transactions. So, there is an inconsistency in terms of status between the realignment and business transactions which should have been settled in an all-or-none basis.

- **PBI 204645: For a cross-border settlement instruction, Partial Settlement occurred although the indicator was modified to "Partial not allowed"**

  In this case, a cross-border transaction was partially settled although the partial settlement flag on the receipt instruction was changed to "NPAR" after the settlement instruction had achieved matching and before the ISD was reached.

- **PBI 204665: Issues on cancellation parallelism**

  Wrong processing of two cancellation instructions with the same entry date and time over the same settlement instruction. The parallel processing of both cancellation instructions made it impossible to recognise the existence of the counterparty and consequently the cancellations were not executed.

- **PBI 204787: T2S NTS was blocked during the NTS cycle and caused a delay at the end of NTS phase**

  This blocking situation occurred while T2S tried to settle two transactions using the unsecured limit of the same client Credit Memorandum Balance (CMB). For the moment, a workaround exists that removes the involved transactions from the current cycle and will submit the transaction in a following NTS cycle or in RTS.

- **PBI 204872: Instructions with ISD today are not settled with reason "FUTU - Awaiting Settlement Date"**

  A collection of more than 100 transactions bearing a link "WITH" with another transaction having "no link" caused this issue. While trying to create the missing links, the process failed, and no link was created.

CBF's assessment for these Problem Tickets shows that the fixes will not require software changes in CBF. Customers are recommended to validate these scope elements and check whether operational and / or functional modifications in their procedures are required.

More information about the CBF implementation approach will be provided once T2S has published the latest update for all scope defining documents in September 2019.

T2S Release 3.2 – Transition plan

The installation of T2S Release 3.2 into production is foreseen on the third weekend in November 2019. The deployment will be executed via the "Release Weekend Schedule". In line with the deployment approach of the previous major T2S Release 3.0, the schedule for the T2S Operational Day will be modified due to the implementation activities. The deployment will start after the end of day procedure ("T2S End of Day") for Friday, 15 November 2019 has been completed. At a later date, CBF will provide an indicative timeline for changes in the operational day during the deployment weekend.

The below table provides an overview of the important T2S milestones within the upcoming months:

T2S Service Transition Plan - Activity for T2S Release 3.2	Date
Publication date for draft Scope defining set of documents	Wednesday, 31 July 2019
Latest publication date for updated Scope defining set of documents	Friday, 6 September 2019
Service Transition Stage Report for R3.2 in Pre-Production (UTEST)	Monday, 16 September 2019
OMG Go / No-Go decision to deploy R3.2 to Pre-Production (UTEST)	Tuesday, 17 September 2019
Deployment to Pre-Production (UTEST)	Friday, 27 September 2019
End of testing of R3.2 scope elements in Pre-Production (UTEST)	Wednesday, 30 October 2019
Market Infrastructure Board (MIB) approves the R3.2 deployment to Production	Tuesday, 5 November 2019
Deployment of R3.2 to Production environment	Saturday, 16 November 2019

Table 1 – T2S Release 3.2 Implementation timeline

CBF services – Enhancements for T2S Release 3.2

CBF aims to absorb the impact on customers acting in ICP mode as much as possible. Functional enhancements provided by T2S will be integrated into CBF's service offering and the use of these changes is optional for customers. Therefore, CBF will extend the CASCADE Online functionality (HOST / PC) and provide new layouts of the screens without requiring customers to enter additional data. In addition, the extended services can be used via the automated connectivity channels (SWIFT, MQ or File Transfer (FT)). The new fields are offered as an option so that customers can implement the updates on their demand.

Based on CBF's implementation approach, the following T2S Change Requests will be introduced to customers:

- **T2S-0606-SYS "T2S should maintain and report information related to 'Place of Trade' and 'Place of Clearing' of a settlement instruction consistently across T2S messages"**

    The Central Securities Depository Regulation (CSDR) requires an enhancement of the instruction details. In future, the "Place of Trade" and "Place of Clearing" are to be supported when entering the instruction and included in the settlement reporting.

    Currently, T2S allows the entry of "Place of Trade" and "Place of Clearing" in the automated message transfer (A2A via settlement transaction instruction, sese.023) but does not use the information for further processing and reporting.

    Already today, CBF supports the field "Place of Trade" in the creation of the instruction and also shows this detail in the corresponding settlement reporting. The "Place of Clearing" is not yet available and will be added with the upcoming Release in November 2019.

    The new field "Place of Clearing" is intended for optional use and must be provided as BIC11. The BIC11 entered or transmitted to CBF will be validated against the latest version of the BIC Directory published by SWIFT. CBF will update the CASCADE Online functionality (HOST / PC) and add the field "CLRNG PL". Customers can enter or retrieve the information for the CBF instruction types defined in "Table 2 – CBF Instruction types enhanced for field "Place of Clearing"". The CBF print report "VON CBF/T2S GELOESCHTE AUFTRAEGE (KV102003)" will also be enhanced to show the new field. In addition, the automated connectivity channels (SWIFT, MQ, File Transfer (FT)) will be modified to enable the usage of "Place of Clearing". The instruction detail

entered in ICP mode will be transmitted to T2S to allow the further processing and related settlement reporting.

As T2S will provide the "Place of Trade" and "Place of Clearing" information in the settlement reporting in future, customers acting in DCP mode will also receive such instruction details. If a customer acting in DCP mode has transmitted an instruction (sese.023) with the identifier "YCON" to T2S, CBF can provide the details of both fields in the corresponding ICP reporting if the related message configuration is set up in CBF.

With the production launch in November 2019, CBF will provide the enhancement required in the CSDR in the following instruction types:

CBF instruction type AA01 and AA02	Place of Clearing / CLRNG PL	Place of Trade / BOERSENPL
CASCADE RS "Emissionseinführung"	Field will be added.	Already supported.
CASCADE RS Account Transfer		Field will be added.
CCP instructions		Already supported.
OTC instructions domestic and cross-border		
OTC instructions for Passive Matching service	Content will be copied from underlying instruction.	
Partial / Full Rights	Field will be added.	
TEFRA D Release		

Table 2 – CBF Instruction types enhanced for field "Place of Clearing"

Customers acting in ICP mode using the automated connectivity channels can optionally provide the information on the "Place of Clearing" in field ":94H::CLEA//" as BIC11 and receive it – if available – in the settlement reporting. The definition is ":94H::CLEA//DAKVDEFFXXX". The following table provides an overview of the impacted messages types:

Message type			Related sequence
Statement of Transactions	MT536		Optional Subsequence C2 Transaction Details; before field "Place of Trade"
OTC Statement of Pending Transactions	MT537		
Deliver and Receipt Instruction, Settlement Confirmation	MT540 – MT547		Mandatory Sequence B Trade Details; before field "Place of Trade"
Settlement Status and Processing Advice	MT548		Optional Sequence B Settlement Transaction Details; before field "Place of Trade"

Table 3 – Provisioning of the value "Place of Clearing" in automated connectivity channels

With regards to the enhancement of "Place of Trade / BOERSENPL" for CBF instruction type "CASCADE RS Account Transfer" the existing definition will be reused. This means that the "Place of Trade" can be optionally provided by customers and reported by CBF via the field ":94B::TRAD//EXCH".

With the Release in November 2019, CBF will establish a monthly download for the "ISO 10383 Market Identification Code (MIC)" list for the processing in CASCADE. The MIC list is published on the second Monday of the month or the following business day if it falls on a public holiday in the country of the ISO 10383 Registration Authority (RA). Modifications will become effective on the fourth Monday of the month. The MIC is used for the validation for all applicable CBF instruction types supporting the field "Place of Trade / BOERSENPL".

- **T2S-0609-SYS "T2S must be able to report 'PENF' settlement status for settlement instructions for which settlement at the Intended Settlement Date (ISD) is no longer possible"**

The CSDR requires an update of the status concept for pending instructions. A CSD must be able to distinguish between:

- "Pending settlement instructions" for which settlement at the Intended Settlement Day (ISD) is still possible.
- "Failing settlement instructions" for which settlement at the Intended Settlement Day (ISD) is no longer possible.

A new settlement status code "Failing" will be introduced. This is valid for instructions that are eligible for a settlement on T2S and additionally for stock exchange transactions (non-CCP instructions) in non-collective safe custody (NCSC) or third party custody (Streifbandverwahrung) securities. In future, besides the new status code the reason code based on the existing list for pending instructions will be provided. After the relevant T2S cut-off time for a dedicated settlement procedure was reached, a status reporting indicating the failed instruction will be transmitted.

Settlement instruction types	T2S cut-off time
Delivery versus Payment (DvP) Receipt versus Payment (RvP) Delivery with Payment (DwP) Receipt with Payment (RwP)	16:00
DvP / RvP instruction with the BATM flag (usage of label "ADEA" (Accept After Regular Settlement Deadline))	17:40
Delivery free of Payment (DFoP) Receipt free of Payment (RFoP)	18:00

Table 4 – Settlement instruction types

CBF will also provide a reporting with the "Failing" status for instructions that are not eligible for settlement on T2S ("non-T2S instructions"). Therefore, a new process will be established at the end of the settlement day (18:00) identifying pending instructions with an Intended Settlement Day (ISD) that is before the current business day and will flag these instructions accordingly. In the process chain, this new processing step is prior to the daily cancellation process for "non-T2S instructions", so that - if necessary - information for the cancellation is subsequently provided. This process is applies to the following CASCADE instruction types (AA):

- AA01 / AA02 for CASCADE RS Account Transfer; and
- AA16 for "Deposit", if the new issue has been entered with a zero nominal (value is set to "0").

In line with the T2S service enhancement, CBF will introduce the new settlement status "PENF". Customers acting in ICP mode and using the automated connectivity channels

(SWIFT, MQ, File Transfer (FT)) can subscribe to MT548 (Settlement Status and Processing Advice). In general, the pending reason of the most relevant status will be delivered in field "Status Code (25D)" and related "Reason Code (24B)".

With the deployment of the Release in November 2019, the new status "PENF" can be provided in the fields "25D" and "24B". As today, the deatiled reason information related to "PENF" will be displayed using the existing label "/PEND" in field "Reason Narrative (70D)".

Sample
:16R::LINK
:20C::MITI//19101001234567890
:16S::LINK
:25D::MTCH/NMAT
:16R::REAS
:24B::NMAT//CMIS
:70D::REAS///SETS 000/MATS 001/PROS 413/**PEND CYCL**
:16S::REAS
:16S::STAT
:16R::STAT
:25D::**SETT//PENF**
:16R::REAS
:24B::**PENF//CYCL**
:16S::REAS
:16S::STAT

Table 5 – Extract / sample of a message: MT548

Any other status will be made available in the field "Narrative (70E)" using the qualifier "SPRO" with the label "/PEND" (pending reason). In addition, customers can request a status reporting via MT537 (Statement of Pending Transactions for OTC instructions and Stock Exchange transactions (LION)).

After the implementation of T2S Release 3.2, pending instructions for which settlement is still possible are further on reported with the with the status code "PEND" and the appropriate reason code (for example "FUTU"). The status code "PENF" and the related reason code (for example "CYCL") is reported when an instruction is considered as failed. The reason code "FUTU" will not be used in combination with the status code "PENF". This enhancement for the status reporting will be introduced in MT537 and MT548.

Based on the existing reporting interval, the settlement status "Failing" (status code "PENF") will be provided in MT537 for LION instructions:

* To be settled via T2S (collective safe custody, CSC or non-collective safe custody T2S, NCSC-T) with the reporting at around 23:00
  (Reporting Interval: Value in TAG 13A = 200).
* To be settled via Creation (non-collective safe custody, NCSC) with the reporting at around 10:00
  (Reporting Interval: Value in TAG 13A = 400).

- Kept in individual safe custody ("Streifband, STR") with the reporting at around 13:00 (Reporting Interval: Value in TAG 13A = 600).

Currently, no real-time reporting via MT548 is transmitted for LION instructions.

Additionally, CBF will introduce the settlement status "Failing" for instructions that are in the CBF OTC recycling period ("CBF OTC Reinstruction Procedure"). The status code "PENF" will be reported on ISD after 18:00, irrespectively whether the instructions are entered free or against payment and the settlement could not be achieved on ISD.

Customers acting in ICP mode and using the message subscription for MT537 or MT548 (Life Cycle products: STAREP Processing Information (PROC)) will receive the new settlement status "Failing" once T2S launched the software. If an instruction (settlement transaction instruction, sese.023) with the identifier "YCON" has been sent to T2S by a customer acting in DCP mode, CBF will transmit the ICP reporting if the related message configuration is set up in CBF. The existing connectivity settings for the Life Cycle reporting will be enhanced by CBF as part of the customer readiness activities. For this purpose, no separate order from the customer is required. It is recommended that customers acting in DCP mode check the existing message subscription at T2S.

- **T2S-0613-URD "T2S should give the possibility to receive outbound messages in bundled files"**

Currently, T2S provides information and settlement results as files during night-time settlement (NTS) cycles. With the Release in November 2019, T2S will introduce a bundling of outbound messages for predefined message types during the whole business day and can transmit the settlement results in files if requested by the T2S Actor. There are two exceptions for the provisioning of the files:

- During the maintenance window the service will not be executed.
- During the period close to the "DvP cut-off", the file bundling is deactivated, and outbound messages are sent in real time.

The message bundling service will be set up with the following conditions:

- Once 1,000 messages are collected, T2S will immediately transmit the file to the technical receiver; or
- If the predefined number of messages is not reached within two minutes (elapsed time) and at least one message is detected, the file will be transmitted.

This message bundling service has no impact on the CBF connectivity flow. In respect to the "YCON" flag, customers acting in DCP mode must consider that CBF continues to provide the related processing results in ISO Standard 15022 in real-time mode.

Only customers acting in DCP mode can request the update of their outbound message parameters at T2S. The T2S Operator will be responsible for maintaining the outbound message parameter. Customers interested in the service are requested – if not already done - to contact the CBF T2S Customer Readiness Team via the Connectivity Support Teams. The necessary details for the configuration and activation timeline will be agreed between the involved parties.

- **T2S-0614-SYS "Matching status should be included in sese.024 status messages for unmatched instructions when a pending reason is reported"**

The enhancement of T2S does not require any functional adaptations in CBF. The status message sent by T2S for unmatched instructions with the reason code "NORE – NoSpecifiedReason" is already provided today via the MT548 (Settlement Status and Processing Advice) using the qualifier "NMAT" and the reason code "CMIS - Matching instruction not found", if the related configuration for status messages is set up.

- **T2S-0653-SYS "Partial Release functionality"**

   The new T2S functionality will enable the partial release of the quantity specified in a pending securities settlement transaction instruction (settlement transaction instruction, sese.023). The Partial Release functionality is offered for delivery instructions (delivery versus payment (DvP), delivery free of payment (DFoP) and delivery with payment (DwP)). The Partial Release request can be initiated with the "Hold / Release functionality" by specifying the quantity to be released.

   T2S will execute the request within all defined Partial Settlement windows during the day and night-time settlement (NTS). Especially for the NTS, T2S defines that Partial Settlement can be executed during the "Last Cycle" in Sequence X. If a Partial Release request is accepted by T2S for settlement during a current Partial Settlement window, the transaction is considered within this processing step.

   However, it has to be considered that Partial Release requests:

   - Can only be submitted from Start of Day (SoD) on Intended Settlement Date (ISD) at 18:45 enabling a settlement with the start of the night-time processing (First and Last Cycle, Sequence 4).
   - Setup for DvP and DwP instructions will be considered until 16:00 on the settlement date and will be reported as failed with the End of Day reporting, if the settlement could not be (fully) achieved.
   - Setup for DFoP instructions will be considered until 18:00 on the settlement and will be reported as failed with the End of Day reporting, if the settlement could not be (fully) achieved.
   - Failed on a settlement date must be reinstructed – if required – as T2S expects a new Partial Release request.

   If a Partial Release request cannot be (fully) executed on the business day, the Partial Release process is stopped and the underlying instruction is set on hold.

   CBF will enhance the CASCADE instruction management and will enable the new T2S service for customers acting in ICP mode. This enhancement will lead to modifications of the CASCADE Online functionality (HOST / PC), the automated connectivity channels (SWIFT, MQ, File Transfer (FT)), and ClearstreamXact[4].

   The use of the Partial Release functionality is optional for customers. As the T2S Change Request is designed to support future CSDR settlement discipline rules, CBF customers should consider using this functionality to reduce the number and value of settlement failures.

   CBF's functional design considers the T2S cornerstones for the Partial Release functionality and is based on the existing logic for "LION Teilbelieferungen". The existing "Partial Settlement" and "Hold / Release" functionalities established by CBF for customers acting in ICP mode will remain unchanged. That is, the quantity applicable for a Partial Release request will be reported as "released" and is indicated with the Party Hold status "0". A Partial Release request can be withdrawn by the customer until the instruction has been completely processed. That means it is possible to reset the released instruction in the status "on hold". In a further step, as soon as the instruction shows the status "on hold", a new Partial Release request can be provided for the (remaining) quantity.

   Based on the preconditions specified by T2S, CBF will deliver the enhancement for the following instruction types:

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[4] A dedicated Announcement defining the requirements for ClearstreamXact will be published in due time.

CBF instruction type AA01 (DvP, DFoP, DwP)	Comment
CCP instructions	Eurex Clearing AG (ECAG) will not use the T2S service as the CCP functionality offers customers the possibility to release parts of the clearing instruction.
OTC domestic instructions	• The service also applies to "already matched instructions". The Partial Release request must be provided for the delivery leg using the related Market Infrastructure Transaction Identification (MITI). • The Partial Release functionality can also be used for instructions resulting from market claims, reserve claims or transformations instructed via custody for OneClearstream-eligible securities. In addition, the Partial Release request can be initiated for OTC instructions set up by customers with the ISO transaction code "CLAI". • The CBF Passive Matching service will be supported. The default for the Partial Settlement Indicator (PSI) defined by the customer in the account master data is used in the receipt instruction. The value set in the receipt instruction can be updated by the Passive Matcher using the CBF functionalities to modify an instruction, if required. • Instructions in CBF "recycling mode" are not applicable for the Partial Release functionality. • The instruction must not be linked or part of an instruction pool.
OTC cross-border instructions	The Partial Release service is only applicable for instructions with T2S In-CSDs.

Table 6 – CBF Instruction types enabled for Partial Release functionality

The delivering party can initiate the Partial Release request if:

• The underlying instruction has been accepted by T2S;

• The Intended Settlement Date (ISD) is reached;

• The instruction is flagged for Partial Settlement;

• The quantity of the release instruction is lower than the quantity of the underlying instruction; and

• The criteria of the static data for minimum settlement unit (MSU) and settlement unit multiple (SUM) of the ISIN are fulfilled.

Only when all these requirements are met, T2S will accept the Partial Release request and will submit the instruction for settlement processing. The settlement will be executed during the upcoming Partial Settlement window if:

• The transaction is still pending and matching was performed;

• The Counterparty allows Partial settlement and the cash threshold is sufficient for the released quantity. However, the counterparty does not have to agree on the Partial Release request) as such; and

• The cut-off time for the Partial Request has not yet been reached.

Customers acting in ICP mode need to consider the usual lead time for the instruction management with T2S. A Partial Release request can be provided during the entire settlement day and should be transmitted at least 15 minutes prior to the upcoming T2S Partial Settlement window.

CBF will update the CASCADE Online functionality (HOST / PC) and enable the "Teilfreigabe" for the instruction types outlined in the table 5 above. The transaction (TRAN) "KVAS (Auftragsabwicklung – Settlement-Dienst)" for the release of an instruction (function code (FC) "FA") will be enhanced. After the instruction was selected, the new value "T" (stands for Teilfreigabe) can be entered to display the instruction details where the field "NOMINALE" can be edited.

Before the modified instruction is accepted in the CASCADE instruction database, some validations are performed to support the instruction management with T2S. Only instructions that can be initially accepted by T2S for subsequent processing are submitted to T2S. However, if a Partial Release request will be provided between EoD and SoD, CASCADE will accept the modification request, but it will be rejected by T2S due to the dependency on settlement schedule. Of course, these validation rules also apply to instructions that will be sent via the automated connectivity channels. The list of CBF validations are available in the attachment "T2S CR 653 Supporting Material version 1.0".

In addition, CBF will provide a warning via CASCADE Online functionality, if the counterparty instruction is neither flagged for partial settlement nor matched or is in status "on hold". This warning is not required in automated message transfer, as the initial information about the counterparty instruction is sent with MT548 (Settlement Status and Processing Advice) indicating successful matching ("MTCH/MACH").

The modification of the instruction via CASCADE Online is subject to the rules and the functional requirements of the four-eyes principle. After the successful entry and control of the required partial nominal, the instruction details for the Partial Release request can be retrieved via "TRAN: KVAI" and "FC: AA". A new line is introduced on the existing screen to display the original nominal, the partial nominal and the remaining nominal. Partial Release requests that could not settle are not archived. However, the requested partial nominal can be displayed on the existing screen using "TRAN: KVAI" and "FC: HA".

Customers acting in ICP mode using the automated connectivity channels must submit Partial Release request via a modification instruction (MT530 - Transaction Processing Command). The partial nominal and the quantity type code (UNIT or FAMT) can be provided in the field "36B – Quantity of Financial Instrument" located in the "Optional Repetitive Sequence C Additional Information".

Sample
:16R:GENL
:20C::SEME//123456
:23G: NEWM
:98A::PREP//20130906
:97A::SAFE//33330000
:16S: GENL
:16R:REQD
:20C::RELA//KP33330123051770
:22F::SETT//YPRE
:16S: REQD
:16R: ADDINFO
:36B::SETT//FAMT/1000
:16S: ADDINFO

Table 7 – Sample of a message: MT530

The instruction initially provided via MT542 (Deliver Free Instruction) or MT543 (Deliver Against Payment Instruction) has to be in the status "on hold" before a Partial Release request can be initiated. That means if the instruction was transmitted as "NEWM", one MT530 is requested to set the instruction with the (remaining) quantity "on hold" and a second MT530 is necessary to create the Partial Release request.

The T2S Partial Release concept defines that each Partial Release request is initially validate. Only if this step has been successfully completed ("instruction is accepted"), further validations in the life cycle management and during actual settlement processing are performed. This means that an instruction accepted in the first step can be rejected or denied by one of the subsequent validations. Hence, there can be a time gap in the reporting between the information about an accepted and rejected / denied instruction. Based on the different validation steps, the modification instruction for a Partial Release request can receive the following status and will be reported via MT548 using the field "25D – Status Code":

- Accepted   Maintenance instruction was accepted by CBF / T2S.

  The qualifier is "TPRC" and status code is "PACK".

- Completed   Maintenance instruction was executed at T2S.

  The remaining quantity is reported for the initial instruction and the qualifier is "PEND" and with the reason "FUTU" or qualifier is "PENF" and with the reason "CYCL" showing in reason narrative ("70D REAS") the label "/PRQT" with the quantity remaining released.

- Rejected   Maintenance instruction was not correctly set up.

  The qualifier is "TPRC" and status code is "REJT".

- Denied   Maintenance instruction was not accepted for settlement.

  The qualifier is "TPRC" and status code is "DEND".

If T2S stops the Partial Release process because:

- A (new) hold on underlying instruction or counterparty instruction was initiated;

- A standard release of underlying instruction was provided;

- The underlying or counterparty instruction is not flagged for partial settlement;

- Instruction linking, or pooling applies or will be requested by the customer or counterparty;

- Or the Partial Settlement indicator is "PARC" and the released quantity is less than the quantity resulting from the cash threshold equivalent in the underlying settlement instruction

the settlement reason code is set back to the value "PREA" respectively "PRCY". CBF will inform the customer and counterparty that the instruction was initialised by T2S. In this case the related MT548 will be transmitted without indicating the quantity and will provide the T2S error code in field "70D REAS" after the label "/ERRC". The list of T2S error codes is available in the attachment "T2S CR 653 Supporting Material version 1.0".

The above-mentioned enhancements defined for MT548 will be also implemented for MT537 (Statement of Pending Transactions for OTC instructions).

Customers acting in DCP mode will receive the related CBF reporting if the "YCON" flag is used. As T2S does not provide a copy of sese.030 (settlement transaction condition modification request), this part of the lifecycle will be not available in CASCADE. However, status updates transmitted via sese.024 (settlement transaction status advice) will be shown.

- **T2S-0686-SYS "Enhanced reporting for market claims and transformations"**

  In June 2019, the enhancements defined in CR 520 ("Add new fields to T2S messages sese.020, sese.024 and sese.025 needed for CA processing") and CR 686 were introduced by T2S. For CR 686, CBF informed customers that the required changes in the CBF software will be delivered in November 2019.

  T2S enhanced the reporting of the Market Infrastructure Transaction Identification (MITI) related to instructions resulting from corporate actions. Therefore, T2S can report the associated reference in the settlement transaction status advice (sese.024) or settlement transaction status confirmation (sese.025) to the T2S Actors.

  The securities settlement transaction instruction (sese.023) created by CBF for instruction management resulting from corporate actions must consider the changes defined by T2S. In June 2019, CBF delivered the enhancement for CR 520 and provided the reference for settlement instructions that require matching at T2S as specified. The generation of instructions that were created as "already matched" and for which the structure is described in CR 686 will be enhanced in November 2019. This means that CBF will provide the MITIs of the two underlying instructions and transmit the details in the (repetitive) info sequence of an instruction to T2S.

With the T2S Release in November 2019, CBF will transmit the two underlying references for the following instruction types if the instruction results from a corporate action:

CBF instruction types (AA)	Corporate action resulting in
AA01 OTC instructions for Passive Matching service	Transformation
AA01 CASCADE RS Account Transfer	Market claim, reverse claim, transformation
AA10 Stock Exchange Transactions (LION)	Transformation
AA99 CBF internal cancellation	Market claim, reverse claim, transformation

Table 8 – CBF Corporate actions using already matched instructions

With this enhancement, customers acting in DCP mode will receive the underlying references as defined in T2S CR 686.

Even though customers acting in ICP mode can retrieve the MITI of the underlying instruction using the CASCADE Online functionality (HOST / PC) via the "Linkage Information" screen, these linking details are not shown in the automated connectivity channels (SWIFT, MQ, File Transfer (FT)). This means, that the referencing in MT536 (Statement of Transactions), MT537 (Statement of Pending Transactions for OTC / LION instructions) and MT548 (Settlement Status and Processing Advice) remain unchanged. Likewise, the references shown in the reporting on corporate actions (MT56x) remain unaffected by this modification.

With the launch of the CBF Release May 2019, the new cancellation code "CAND/CANT" was introduced. This value is used if the cancellation of the instruction is based on a corporate action that leads to a transformation. Currently is cancellation code is reported only for OTC instructions. In November 2019, the cancellation reporting for LION instructions will be updated. Starting Monday, 18 November 2019, in MT537 (Statement of Pending Transactions for LION instructions) the cancellation of an instruction because of a transformation will be reported with the value "CAND/DAKV/CANT" during the – possible ongoing – transformation period.

T2S published further details in the scope defining documents of T2S Release 3.2 on 31 July 2019. The documentation is currently being reviewed and CBF may update this Announcement.

Customer simulation

Customers may decide to enter test cases in the CBF Customer Simulation environment (IMS23) in light of the service updates in the CBF functionality.

According to the ECB transition plan, the updated software for T2S Release 3.2 will be implemented on Friday, 27 September 2019 in the T2S Pre-Production Environment (UTEST). Immediately after the software deployment of T2S, CBF will start to update its software in IMS23 and will close the environment until Monday, 28 October 2019. A dedicated webpage provides information on the availability of the CBF customer simulation environment (IMS23).

In the period from 28 October to 15 November 2019, customers' simulation activities will be supported by CBF. A guided simulation will be offered to customers. The customer simulation guideline with the corresponding simulation calendar is planned to be published in September 2019. The participation in the CBF customer simulation is optional. Customers can execute their test cases on their demand.

CBF will support customers with predefined test cases ("Focus Day") with regard to the functional enhancements for:

- T2S-0606-SYS "T2S should maintain and report information related to 'Place of Trade' and 'Place of Clearing' of a settlement instruction consistently across T2S messages"
  - o A security will be set up to support the processing of TEFRA D. This means that the selected ISIN is defined with a TEFRA D period that is covered in the simulation calendar.

- T2S-0653-SYS "Partial Release functionality"
  - o CBF will update the account settings of the Customer Readiness Simulation account (1117 000) so that customers can check the processing with a participant using the CBF Passive Matching service.
  - o The processing of non-CCP instructions (LION) will be enabled to allow the verification of the "LION Teilbelieferung" and the T2S Partial Release request.

- T2S-0686-SYS "Enhanced reporting for market claims and transformations"
  - o CBF will set up dedicated corporate actions to allow the testing of market claims, reverse claims and transformations. These related Focus Days can also be used to test the T2S CR 653.

To set up the necessary test data, a registration for the dedicated test cases is required. A dedicated simulation registration form will be available on the Clearstream website under Products and Services / Connectivity / CASCADE/T2S / Testing and Simulation in due time.

Contact

Please contact our Client Services teams for questions regarding the functionality. Questions related to the technical connection can be addressed to our Connectivity Support teams. Particular questions related to the T2S Release 3.2 will be routed to the experts of the T2S Settlement Functionality team.