# T2S Release 4.0 – Information on the production launch

Clearstream Banking AG, Frankfurt[1] informs customers about the upcoming TARGET2-Securities (T2S) Release 4.0. According to the [T2S Release Concept](#) the release will be deployed on

**the weekend 13 and 14 June 2020**

**for business day, Monday, 15 June 2020**

## T2S Release 4.0 – Scope

With the T2S Release 4.0, six 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 two lists with the scope elements for T2S Release 4.0. These lists show the latest descriptions about the related T2S CRs[2] and PBIs that might have impact on CBF customers acting in ICP and / or DCP mode:

- **T2S Release 4.0 Overview CRs**

  The report shows all approved T2S CRs. 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[3]. In addition, the XSD files modified for T2S Release 4.0 are available for download via MyStandards (SWIFT) since end of February 2020. Customers acting in DCP mode should take notice of the adaptions to the setup of instructions (Securities Settlement Transaction Instruction, sese.023) along with the T2S Release 4.0.

- **T2S Release 4.0 Problem Tickets**

  This list shows only T2S Problem Tickets (PBIs) that, based on CBF's analysis, may have an impact on customers acting in ICP and / or DCP mode. Therefore, 17 PBIs are shown.

  CBF will regularly review the lists of outstanding PBIs provided by T2S. Experience shows that until a T2S Release goes into production, further Problem Tickets are authorised for implementation.

  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.

## T2S Release 4.0 – Transition plan

The installation of T2S Release 4.0 into production is foreseen on the second weekend in June 2020. The deployment will be executed via the "Release Weekend Schedule". In line with the deployment approach of the previous T2S Release 3.2, the schedule of 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") on Friday, 12 June 2020, has been completed. On 24 April 2020, CBF aims to provide an indicative timeline for changes in the operational day during the deployment weekend.

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

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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]This Announcement provided by CBF is based on the T2S "Scope defining set of documents" issued by T2S mid-February 2020.

[3]Details about the scope elements of [T2S Release 4.0](#) are published on the ECB's website.

| T2S Service Transition Plan - Activity for T2S Release 4.0 | Date |
|---|---|
| Service Transition Stage Report for R4.0 in Pre-Production (UTEST) | Monday, 23 March 2020 |
| OMG Go / No-Go decision to deploy R4.0 to Pre-Production (UTEST) | Tuesday, 24 March 2020 |
| Deployment to Pre-Production (UTEST) | Friday, 3 April 2020 |
| End of testing of R4.0 scope elements in Pre-Production (UTEST) | Thursday, 28 May 2020 |
| Market Infrastructure Board (MIB) approves the R4.0 deployment to Production | Wednesday, 3 June 2020 |
| Deployment of R4.0 to Production environment | Saturday, 13 June 2020 |

Table 1 – T2S Release 4.0 Implementation timeline

## CBF services – Enhancements for T2S Release 4.0

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-0658-SYS "T2S should allow and process already matched instructions with deviating settlement parameters on DELI and RECE legs"**

  Customers can enter instructions to T2S with the flag "Already-Matched". These instructions will be processed by the platform as separate delivery and receipt instructions, in which it is not possible to set different settlement parameters for both legs. The parameters apply equally to the **"Party Hold Indicator"**, the label for **"Modification Allowed"** or for **"Cancellation Allowed"**. In addition, both legs display the **"Settlement Transaction Indicator"** with the entered value, although there is a matching item for the counterparty side (for example COLI / COLO, SECL / SECB).

  With this Change Request, T2S extends the scope of already matched instructions (ALM). CBF will provide these enhancements in its instruction management, both via the CASCADE Online functionality (HOST / PC) and via the automated connectivity channels (SWIFT, MQ and file transfer).

  - **Party Hold Indicator**

    So far, for customers acting in ICP mode, instructions could be stored in the CASCADE instruction database as "on hold" or "released". In future, the following values will be supported:

| Party Hold Indicator | Description | Field description ISO 15022 for MT540 - MT544 | Labelling via CASCADE HOST | Labelling via CASCADE PC |
|---|---|---|---|---|
| **No value entered** | The **customer** instruction will be stored with the status **"released"**. | :23G::NEWM | Field: Party-Hold = N | Checkbox "party hold" will be replaced by a drop-down list. |
| **PTYH** | The **customer** instruction will be stored with the status **"on hold"**. | :23G::PREA | Field: Party-Hold = J | Checkbox "party hold" will be replaced by a drop-down list, please select **"own leg"**. |
| **PRCY (only allowed using „ALM")** | The **counterparty** instruction will be stored with the status **"on hold"**. | :23G::NEWM :22F::STCO/COEX/PRCY | Field: Party-Hold = C | Checkbox "party hold" will be replaced by a drop-down list, please select **"counterparty leg"**. |
| **BOTH (only allowed using „ALM")** | Both instructions, that is, the **customer** and **counterparty** instruction, will be stored with the status **"on hold"**. | :23G::PREA :22F::STCO/COEX/PRCY | Field: Party-Hold = B | Checkbox "party hold" will be replaced by a drop-down list, please select **"both legs"**. |

Table 2 – T2S Party Hold Indicator

Also in future, the release of an instruction is carried out using the procedures that are currently possible. This means that releases can be provided via the CASCADE Online functionality (HOST / PC) or by using the message types MT54x ("Settlement Instruction") or MT530 ("Transaction Processing Command"). As before, the release can be transmitted by specifying the "Previous Message Reference (:20C::PREV)" or the "Related Message Reference (:20C::RELA)". It must be considered that the release of an ALM instruction for the counterparty leg is only possible using the "Previous Message Reference".

CBF's status reporting will be updated to include the new characteristics. Customers subscribing to the MT548 ("Settlement Status and Processing Advice") will receive the information according to the specifications in Table 2.

The entry of the new "Party Hold Indicators" is only possible in combination with the "Already-Matched" indicator. If this rule is disregarded an error message will be shown. That is,

– using CASCADE Online functionality (HOST / PC) with the code KV7517F PARTY-HOLD "B" oder "C" nur erlaubt, wenn ALREADY MATCHED = "J"// PARTY-HOLD "B" or "C" only allowed if ALREADY MATCHED = "J"

– using automated connectivity channels (SWIFT, MQ, File Transfer (FT)) with the code KV7518F PARTY-HOLD "PRCY" nur bei Already Matched Instr. erlaubt // PARTY-HOLD "PRCY" only allowed for Already Matched instr.

These codes will be added to the document CBF Message and Error Codes with the Release in June 2020.

o  **Modification / Cancellation allowed Indicator**

The scope of services currently provided by CBF remains unchanged. Instructions entered by CBF or Eurex Clearing AG will continue to be subject to the existing settlement procedures.

Customers acting in DCP mode will notice in the T2S reporting that the current value indicating the possibility to modify or cancel an instruction will change from "FALSE" to "NONE". This update will allow CBF to offer the existing CBF functionality in accordance with the new T2S definitions.

o  **Settlement Transaction Indicator**

When using "Already-Matched (ALM)" instructions, in future T2S will determine the corresponding "Settlement Transaction Indicator (SWIFT field :22F::SETR)" for the counter instruction, provided there is a matching item for the delivery and receipt side from a functional perspective.

This functionality is delivered by T2S and does not require any change in CBF's software. The reporting generated by T2S will display the corresponding value in the instructions. Customers acting in ICP mode will receive the values transmitted by T2S in the settlement reporting provided via CBF.

The table below shows the settlement transaction types supported by CBF and the allocation of values after entering an instruction with the "Already-Matched" flag.

| Business case / ISO Transaction Indicator customer instruction using the flag ALM | | Business case / ISO Transaction Indicator in counterparty instruction | |
|---|---|---|---|
| Buy Sell Back | BSBK | Sell Buy Back | SBBK |
| Collateral In | COLI | Collateral Out | COLO |
| Collateral Out | COLO | Collateral In | COLI |
| Repo | REPU | Reverse Repo | RVPO |
| Reverse Repo | RVPO | Repo | REPU |
| Securities Borrowing | SECB | Securities Lending | SECL |
| Securities Lending | SECL | Securities Borrowing | SECB |
| Triparty Repo | TRPO | Triparty Reserve Repo | TRVO |
| Triparty Reserve Repo | TRVO | Triparty Repo | TRPO |

Table 3 – SWIFT Settlement Transaction Indicator

Customers using CBF's Passive Matching service need to consider that the receipt instruction will be automatically based on the details of the delivering instruction. In future, CBF will apply the rule established by T2S in the Passive Matching service. This means that the settlement transaction indicator will be adjusted in the receipt instruction as described above and transmitted to T2S with this data for further processing.

- **T2S-0671-SYS "Storage and reporting of the Beneficial Ownership indicator for Settlement Instructions in T2S"**

For account transfers, information must be provided as to whether a change of beneficial ownership is taking place. The related background is Article 26 of the MIFIR regulation, which defines a reporting obligation of within one business day if there is a change of beneficial ownership, whereas account transfers without a change of ownership are not subject to reporting. In T2S, it is already possible to use the optional "Beneficial Ownership" indicator using a "Yes-No-Indicator" to show the change. Currently, this information is neither stored in T2S nor part of the settlement reporting. With the Release in June 2020, T2S will introduce the indicator throughout the securities processing chain and it will therefore be available for the reporting.

CBF customers already have the option to provide the field "Beneficial Ownership" in instructions. This information is transmitted to T2S and therefore available for settlement

processing. With the implementation of T2S Release 4.0, this information is returned from T2S to CBF and will be available for CBF's settlement reporting (for example status messages, settlement confirmations). This means that the information about the change of beneficial ownership can be included in settlement allegements (via MT578 or MT586) as well. If a settlement instruction (sese.023) with the identifier "YCON" was submitted to T2S by a customer acting in DCP mode, CBF can transmit the "Beneficial Ownership" flag in the related ICP reporting, if the associated message configuration is set up in CBF.

The "Beneficial Ownership" indicator can be provided via the CASCADE Online functionality (HOST / PC) and via the automated connectivity channels (SWIFT, MQ and File Transfer (FT)). According to the SWIFT standards for ISO 15022, the field ":22F::BENE//" can be filled with the values:

- o   YBEN = Change of Beneficial Ownership;
- o   NBEN = No change of Beneficial Ownership.

Although the "Beneficial Ownership" indicator is an optional value in securities settlement instructions, it is in the interest of market participants that the flag is properly applied in accordance with the business case because of the related reporting obligation. For this reason, CBF asks customers to indicate the flag when entering a settlement instruction for the German (domestic) market, cross-border settlement and CASCADE RS account transfer (using the CASCADE instruction type AA01 / AA02).

Customers using CBF's Passive Matching service need to consider that the receipt instruction is automatically created with the details of the delivery instruction and the flag for the ownership flag - if set in the delivery instruction – will be made available.

An overview of CBF's implementation approach is available in the Appendix ("Supporting Material") of this Announcement.

CBF's assessment of the T2S Change Request below shows that no modification is required in CBF's software. However, customers acting in ICP and/or DCP are recommended to validate the announced change in terms of operational processes.

- **T2S-0689-URD "New process to maximise settlement of transaction at DvP cut-off"**

  Delivery and receipt instructions against payment (DvP) may be settled by T2S until the last second of the related real-time settlement cycle (RTS). At the end of this cycle ("DvP cut-off"), the recycling mechanisms for these instructions are stopped, even if further settlement is possible. The purpose of this Change Request is to ensure that the recycling process is included during the DvP cut-off processing, so that all eligible transactions can be included in the recycling process. Therefore, T2S will extend the time for the recycling process, which is currently scheduled at 16:00, to 16:05. This change will also result in an extension of the associated (fifth) Partial Settlement Window until 16:05.

## Customer simulation

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

According to the ECB transition plan, the updated software for T2S Release 4.0 will be implemented on Friday, 3 April 2020, 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 Thursday, 30 April 2020. A dedicated webpage provides information on the availability of the CBF customer simulation environment (IMS23).

In the period from 4 May to 12 June 2020, customer 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 mid of March 2020 on the Clearstream website under Products and Services / Connectivity / CASCADE/T2S / Testing and Simulation. The participation in the CBF customer simulation is optional. Customers can execute their test cases on their demand.

In addition, CBF will support customers using the Passive Matching service regarding the functional enhancements for:

- T2S-0658-SYS "T2S should allow and process already matched instructions with deviating settlement parameters on DELI and RECE legs";
- T2S-0671-SYS "Storage and reporting of the Beneficial Ownership indicator for Settlement Instructions in T2S".

Additionally, CBF will activate 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.

## 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 4.0 will be routed to the experts of the T2S Settlement Functionality team.