

Clearstream Banking

CBF Customer Announcement **T2S Change Request 653 – Partial Release Functionality** Supporting Material

October 2019

T2S Change Requests – CR T2S-0653-URD

Summary of T2S functional description

Instruction Management	Settlement Procedure	Withdrawal Process	
<ul style="list-style-type: none"> - Partial release is offered only for the delivery leg (DvP, FoP, DwP) when the ISD is reached - The underlying instruction must exist in T2S and is flagged as eligible for partial settlement - The quantity of the release instructions must be lower than the quantity in the existing instruction and comply with static data for MSU¹⁾ and SUM²⁾ 	<ul style="list-style-type: none"> - The settlement instruction <ul style="list-style-type: none"> - Must be pending and matched - Is not applicable to CoSD or any other hold indicator - Is not involved in linking or pooling - The counterparty leg must allow partial settlement - The cut-off time is not reached 	<ul style="list-style-type: none"> - The partial release instruction will be cancelled and set back, if <ul style="list-style-type: none"> - A new hold applies to the underlying instruction - Partial settlement indicator is set to "NPAR" - The partial settlement was not executed until the cut-off time on settlement day - If the counterparty instruction has a cash threshold that will not be sufficient for the quantity 	<p>Time constraints:</p> <ul style="list-style-type: none"> - Instructions are considered for the upcoming Partial Settlement Window ! During the RTS processing 5 Partial Settlement Windows are available ! During the NTS "Last Cycle" in "Sequence X" Partial Settlement will be executed - Customers acting in ICP mode, needed to consider the usual "15 minutes" lead time
<p>If the validation will fail the partial release instruction will be rejected</p>	<p>If the conditions are not fulfilled the partial release instruction will be denied</p>	<p>If so, the partial release process will be cancelled and a "Party Hold" will apply</p>	

**Based on the description in T2S CR 653,
CBF defined its service offering for customers acting in ICP mode**

1) MSU stands for Minimum Settlement Unit

2) SUM stands for Settlement Unit Multiple

3) ! = Change / supplement compared to version August 2019

CBF Service Offering for Partial Release

Functional cornerstones at a glance

- 1 The existing Partial Settlement and Hold / Release functionalities as well as the services established by CBF will remain unchanged
- 2 Partial Release requests are subject to the settlement conditions of the Partial Settlement, that is the counterparty must agree on the Partial Settlement. The instruction allowed for Partial Settlement can settle with partially quantity of the partially released quantity
- 3 Partial Release requests will be accepted by CBF for OTC instructions (domestic, cross border with T2S In-CSD or initiated by a CCP). The OTC instruction must not be subject to CBF recycling process
- 4 Partial Release requests can be initiated for delivery instructions via CBF's automated connectivity channels and CASCADE Online functionality (HOST / PC) for the next partial settlement window, if ISD has been reached and the instruction is in status "on hold"
- 5 Partial Release requests will be accepted for a single business day. The instruction can be released, after T2S reported the end of "Start of Day" until the end of the related cut-off time for the settlement instruction
- 6 If a Partial Release request cannot be (fully) executed on the business day, the Partial Release process is stopped and the underlying settlement instruction is set "on hold"
- 7 Partial Release requests and the related status reporting are reported to the customer and the counterparty

- CBF's functional design is based on the approved specification provided for the Change Request T2S-0653-URD
- T2S will deliver the enhancement with Release 3.2 in November 2019
- CBF will provide the service to customers acting in ICP mode with the introduction of the functionality in T2S

1) MSU stands for Minimum Settlement Unit
2) SUM stands for Settlement Unit Multiple

CBF Service Offering for Partial Release

Guidelines for automated connectivity channels

- 1 Delivery instructions (MT542 / MT543) must be in status "on hold" before a Partial Release request can be released. Hereby, it is irrelevant whether the hold was initially reached using the function code "PREA" or subsequently using "MT530"
 - 2 Partial Release requests can be initiated via "MT530 - Transaction Processing Command", only. In "Optional Repetitive Sequence C - Additional Information" the nominal and type must be specified in field "Quantity of Financial Instrument (36B)"
 - 3 The status of Partial Release requests will be reported via MT548 using the field "Status Code (25D)" with the qualifier "TPRC" for processing change command status
 - 4 Settlement confirmations resulting from Partial Release requests will be created with the same logic as for standard partial settlement
 - 5 CBF reports the remaining quantity using the qualifier "PEND" and reason "FUTU" on ISD. The qualifier "PENF" and reason "CYCL" is used when the ISD is already in the past. In reason narrative "/PRQT" will show the remaining released quantity
 - 6 If a Partial Release request cannot be (fully) executed until cut-off time, the "withdrawal process" will be executed. The underlying instruction is set back "on hold" and MT548 will be transmitted without indicating the remaining quantity
 - 7 If T2S cancels a Partial Release request, CBF will inform about the reason. The error code that was transmitted by T2S is provided in reason narrative with the label "/ERRC"
- CBF will update the format for SWIFT, MQ and File Transfer
 - The enhancement will not require a modification in the connectivity setup
 - Customers acting in DCP mode will only receive status updates provided by T2S, if the "YCON" flag is set in the underlying instruction

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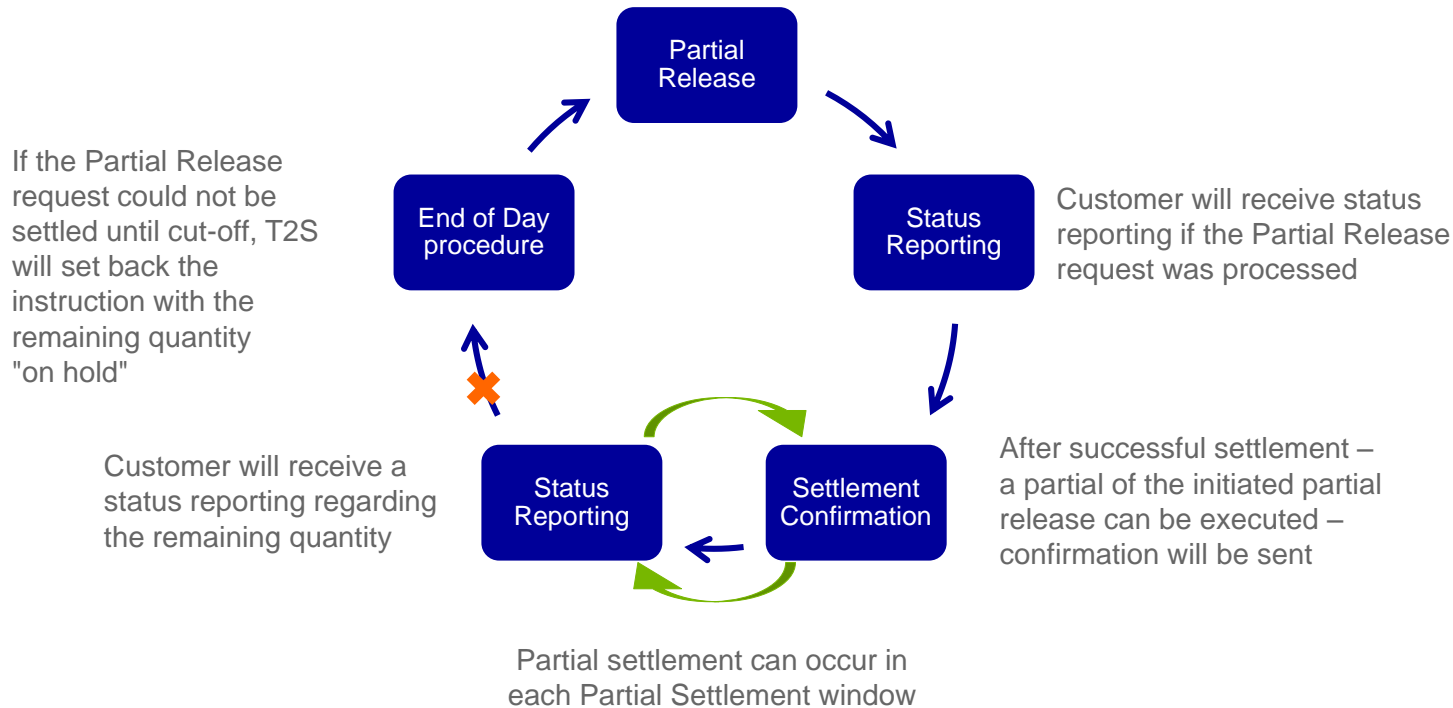
CBF Service Offering for Partial Release

Future business flow and reporting

Based on an accepted pending instruction in status "on hold", customers can request partial release via MT530 or CASCADE online functionality (HOST / PC) between SoD and EoD beginning with ISD

Please note:

- CBF will inform the customer and its counterparty about the Partial Release request and related processing



CBF Service Offering for Partial Release

Information about cancellation of partial release process

T2S stops the partial release process, if

- A new hold on underlying 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
- Matched 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 "PREA/PRCY" depending on the scenario

Usage of MT548

If "PREA / PRCY" is received for an instruction with a partial release, then the fields "partially released quantity" and "quantity remaining on hold" of instruction and counterparty instruction are initialised. MT548 will be transmitted without indicating the quantity using the label "/PRQT" in "70D REAS"

CBF will inform about the reason and provides in field "70D REAS" error code¹⁾ after label "/ERRC" transmitted by T2S

1) The list of possible error codes can be found in the appendix

Clarification on T2S Change Requests

Information for failing instructions under Partial Release process

Details of clarification request

The status information (sese.024) for failing instructions under Partial Release process will be equal than the one for pending instructions with two differences

- The status information will be populated in the message item of failing instead of in the messages item of pending
- The status "FUTU" will not be reported in failing instructions. The failing reason code "CYCL" will be reported instead

Detailed description – Use cases

- Execution of a Partial Release
When the instruction can no longer settle on the ISD, the only possible value is "CYCL"
- Partial Settlement (unsettled part) of a settlement instruction partially released
When the instruction is partially settled after the ISD, the only possible value is "PART"
- Settlement of a Partial Release
When the Partial Release quantity is settled after the ISD, the status "PREA" for delivery instructions and "PRCY" for receive instructions is transmitted
- Cancellation of a Partial Release
When the Partial Release is cancelled after ISD, the status "PREA" for delivery instructions and "PRCY" for receive instructions is transmitted

Please note:

- Information is based on T2S Change Request Group Clarification note CRG-PBR-0019 published on 15 October 2019
- CBF started with the internal assessment and will inform customers, if modifications in the current design are necessary. Updates will be published using the Announcement [D19036](#)

New Error Codes created by T2S (1/2)

Information will be provided to customers and counterparties

Error code number	Error code text
MMRI206	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, neither the referenced Settlement Instruction must be partially released nor a pending Release Instruction of the same Hold type must be present in the system.
MMRI207	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, the matching status of the referenced Settlement Instruction must not be "Unmatched".
MMRI208	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, no other holds must apply neither on the referenced Settlement Instruction nor on the counterpart.
MMRI209	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, the referenced Settlement Instruction and its counterpart must allow partial settlement.
MMRI210	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, no settlement links must apply neither on the referenced Settlement Instruction nor on its counterpart.
MMRI211	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, no non-reciprocal links must apply neither on the referenced Settlement Instruction nor on its counterpart.
MMRI212	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, the referenced Settlement Instruction nor its counterpart must be on CoSD hold.
MVRI598	If present, the Settlement Quantity indicated in a Party Release Instruction must be equal or lower than the Settlement Quantity stated in the referenced Settlement Instruction.
MVRI599	If present, the Settlement Quantity indicated in a Party Release Instruction must be a multiple of the Settlement Unit Multiple.
MVRI600	If present, the number of decimals of the Settlement Quantity of a Party Release Instruction must be equal or lower than the number of decimals of the Settlement Unit Multiple of the related Security.
MVRI601	If present, the Settlement Quantity stated in a Party Release Instruction must be expressed using the same Settlement Type as the one specified in T2S Reference Data for the ISIN Code of the referenced Settlement Instruction.
MVRI602	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, the Intended Settlement Date of the referenced Settlement Instruction must have been reached.
MVRI603	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, the Securities Movement Type of the referenced Settlement Instruction must be "DELI".
MVRI604	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, the referenced Settlement Instruction must not be a T2S generated Settlement Instruction.
MVRI565 ¹⁾	If present, the Settlement Quantity indicated in a Condition Modification Instruction (that is not a party release) must be the same as the Settlement Quantity stated in the referenced Instruction.

CBF will introduce similar validations for the instruction management in CASCADE. Customers acting in ICP mode be notified via CBF error codes

1) The current business rule will be amended to allow informing quantity lower than the original quantity. Like today, if there is no quantity mentioned or if a quantity greater than or equal to the remaining quantity is mentioned, T2S considers this as a 'standard' release for the whole quantity

New Error Codes created by T2S (2/2)

Information will be provided to customers and counterparties

Error code number	Error code text
SPSA0007	Partial release process is stopped when another hold applies on the referenced Settlement Instruction or its counterpart.
SPSA0008	Partial release process is stopped on the counterpart when another hold applies on the referenced Settlement Instruction or its counterpart.
SPSA0009	Partial release process is stopped when the referenced Settlement Instruction or its counterpart no longer allows partial settlement.
SPSA0010	Partial release process is stopped when the referenced Settlement Instruction or its counterpart no longer allows partial settlement.
SPSA0011	Partial release process is stopped when a settlement link applies to the referenced Settlement Instruction or its counterpart.
SPSA0012	Partial release process is stopped when a settlement link applies to the referenced Settlement Instruction or its counterpart.
SPSA0013	Partial release process is stopped when a non-reciprocal settlement link applies to the referenced Settlement Instruction or its counterpart.
SPSA0014	Partial release process is stopped when a non-reciprocal settlement link applies to the referenced Settlement Instruction or its counterpart.
SPSA0015	Partial release process is stopped when the released quantity is less than the quantity resulting from the cash threshold equivalent in the underlying settlement instruction.
SPSA0016	Partial release process is stopped when the released quantity is less than the quantity resulting from the cash threshold equivalent in the underlying settlement instruction.
SPSA0017	Partial release process is stopped when the referenced Settlement Instruction is released.
SPSA0018	Partial release process is stopped on the counterpart when the referenced Settlement Instruction is released.
SPSA0019	If the quantity present in a Release Instruction is lower than the Settlement Quantity stated in the referenced Settlement Instruction, none of the associated realignment Settlement Instruction must be submitted to any hold.

If T2S stops the partial release process and the instruction is reset to "PREA" or "PRCY", CBF will inform customers acting in ICP mode about the T2S error code in field "70D REAS" after label "/ERRC"

CBF Service Offering for Partial Release

Update – CBF introduces new error codes¹⁾

CBF validation	CBF error code	CBF error text
Partial Release request does not match "Mindestbetrag übertragbare Einheit" defined in CBF. MSU must be verified.	KV6103F	Nominale ist kleiner als Mindestbetrag Uebertr. Einheit Nominal amount is smaller than minimum tradable amount
Nominal > 0 and is not related to a corporate action and the Partial Release request is not multiple of (smaller value of KL-UEBERTR-EINH) defined in CBF.	KV0065F	Nominale muß ein Vielfaches der kleinsten übertragbaren Einheit sein nominal to be multiplier of smallest transferable unit
Nominal > 0 and is not related to a corporate action and the Partial Release request is not multiple of (smaller value of KLEINSTE-STUECKLG) defined in CBF.	KV0640F	Nominale muß ein Vielfaches der kleinsten Stueckelung sein Nominal must be multiple of smallest denomination
Partial Release request, and ISD not reached. Partial release is only allowed as of ISD.	KV6380F	Teilfreigabe nicht erlaubt, da ISD nicht erreicht ist Partial Release request not allowed, as ISD is not reached
Partial Release request is received (MT530) related to a receipt instruction.	KV6639F	Teilfreigabe für diese (Unter-) Auftragsart nicht erlaubt For this (sub) instruction type, a partial release is not allowed
Instruction must be matched. Instruction must allow partial settlement. Counterparty instruction must allow partial settlement.	KV0140I ²⁾	Auftrag erfüllt nicht alle Krit. für die Teilfreigabe, Aktiv. monitoren Instruction does not fulfill all criteria for partial release, activity to monitor
Partial Release request initiated for the underlying instruction (AA01) is part of an instruction pool.	KV6382F	Teilfreigabe nicht erlaubt, da Auftrag in POOL Partial Release request not allowed, as instruction is part of POOL
Partial Release request initiated for the underlying instruction (AA02) is part of an instruction pool.	KV6386F	Teilfreigabe nicht erlaubt, da Gegenauftrag in POOL Partial Release request not allowed, as counter instruction is part of POOL
The underlying instruction is already matched, and is referenced via Actor Reference. The MITI of delivery instruction must be used.	KV2519F	Bothsided PART-Release auf already-matched Instruktion nicht erlaubt Bothsided PART release not allowed on already-matched instruction
Partial Release request for the underlying instructions is in CBF recycling mode.	KV6408F	Instruktion im Recycling-Modus. Teilfreigabe nicht erlaubt Instruction is being recycled. Partial Release request not allowed
Partial Release request indicates a quantity that exceeds the (remaining) nominal.to be settled.	KV6418F	(Teil-)Nominale darf nicht groesser als Nominale sein (Partial) Nominal must not be larger than nominal
The nominal in a Partial Release request must be > 0.	KV6641F	Teilnominale muss groesser als 0 sein Partial nominal must be larger than 0

1) ! Change / supplement compared to version August 2019

2) Applicable for CASCADE Online functionality (HOST / PC) only

Usage of Partial Release Functionality

Member readiness activities – Cornerstones

CBF account settings

- CBF support the flagging of the PSI
- On (sub) account level customers can request the automated flagging of instructions
- In light of the T2S Change Request customer may check the existing settings and revalidate the using of the PSI
- Partial release functionality will be enabled for the delivery instruction, only. However the set up is enabled for both, delivery and receipt

Customer Communication

- The initial CBF T2S Release 3.2 announcement was published in August 2019
- In October 2019, an update of the documentation including the Release Weekend schedule was published¹⁾

Counterparty instruction details

- Partial settlement requires that the customer and its counterparty flagged the instructions for partial settlement
- CBF informs via MT548, whether the counterparty has initially set up the instruction for partial settlement
 - Partial settlement can be initiated using a "cash threshold"

Customer Simulation

- CBF will conduct a "guided customer simulation" from 28 October 2019 to 15 November 2019
- CBF's customer readiness test account "1117 000" has been updated for "Partial Settlement" and can be used as counterparty for OTC trades
- Additionally, non-CCP instructions will be offered to allow a comparison of customers internal procedures

1) Change / supplement compared to version August 2019

Usage of Partial Release Functionality

Member readiness activities – List of FAQ

No.	Customer's Questions	Answers by Clearstream
1	Is it possible to use all Partial Settlement windows existing during a business day for the Partial Release request?	Accepted Partial Release requests will be considered within all Partial Settlement Windows during the night time and day time processing.
2	Is it mandatory to flag an instruction as allowed for Partial Settlement before the Partial Release request can be transmitted?	Yes, there are two important prerequisites, the instruction must be set "on hold" and that "partial settlement" is allowed.
3	Will it be possible to request the Partial Release while creating the new instruction?	The instruction must first be accepted by T2S and ready for Life Cycle Management, before the Partial Release request can be initiated.
4	Which action is required by the counterparty?	In order to achieve Partial Settlement, the counterparty must have flagged the receipt instruction for the partial settlement. This is a mandatory precondition. There is no need for further action by the counterparty with regard to Partial Release.
5	Will the existing Partial Settlement windows be kept?	The current Partial Settlement windows remain, but with the T2S CR 694 dedicated time windows will be extended in December 2019.
6	Is it possible to transmit several Partial Release requests at the same time of a single settlement instruction?	No, per settlement instruction one Partial Release request can be accepted. If the quantity shall be changed, the existing Partial Release request has to be withdrawn. That is, the underlying instruction has to be set "on hold".
7	Will the instruction reference used in MT530 for the Partial Release request be included in the status message of "MT548 TPRC"?	Yes, CBF reporting will include the references submitted by the customer.
8	Can you confirm that the current LION release functionality (Teilfreigabe) remains unchanged?	Yes, this functionality is not affected by the T2S CR 653.
9	Can a customer acting in DCP mode identify a Partial Release request set up in T2S using CASCADE functionality?	T2S does not support a copy functionality of sese.030. Hence, this information is not provided to CBF. However, status reporting provided via sese.024 is transmitted to CBF and will be considered in CASCADE instruction database. And related reporting.
10	A Partial Release request is subject to partial settlement functionality. Is it possible to intervene in the running process?	Yes, the Partial Release request can be "reset". For example, a new hold can be sent or the partial settlement indicator can be changed to "NPAR".

