General Information (Origin of Request)		
☒ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		
Request raised by: Monte Titoli	**Institute:** CSD	**Date raised:** 18/03/2016
Request title: Processing order of settlement		**Request ref. no:** T2S 0603 URD
Request type: Common	**Urgency:** Normal	
1. Legal/business importance parameter: High	**2. Market implementation efforts parameter:** Low	
3. Operational/Technical risk parameter: High	**4. Financial impact parameter:**	
Requestor Category: CSD	**Status:** Withdrawn by the initiator	

Reason for change and expected benefits/business motivation:

Following the requests raised by Euroclear and Monte Titoli (INC 174375 – EOC and INC 174412 – MOTI) asking clarification regarding the settlement order of transaction according to the criteria of their priority and seniority, during the CRG of 8-9 February 2016 it has been highlighted how:

1. The recycling function sorts the pending transactions

    - Having different priorities, according to their priority 1: Reserved – 2: Top - 3: High - 4: Normal
    - Having the same priority, using the following order: 1: Oldest – 2: Biggest– 3: First In First Out

2. The (T2S) design ensures that the priority applies as a criteria to propose transactions to settlement and not as a criteria to force settlement in a certain order, as requested by URD.

However, it has occurred, as clearly described in the attached documentation (Refer submitted annexes), that some transactions have been settled not respecting these criteria, showing how this mechanism is not perfectly efficient.

Hence, there is a clear need of fixing this issue in order to avoid the consequent negative impacts it could imply.

Even if the CSD-Regulation does not explicitly require to force a specific settlement order, it imposes new discipline for the buy-in, providing that the management of the settlement instructions is based on a criteria that ensure the settlement of the oldest instructions is attempted.

Consequently, it is required to implement the solution adopted for the recycling during the real-time period in order to satisfy the criteria of priority and seniority, to ensure the settlement of the oldest settlement instructions.

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Description of requested change:

The request is to ensure a correct order of settlement of transactions according to the criteria of their priority and seniority in the recycling process.

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Submitted annexes / related documents:

Presentation on Processing order of settlement instructions vs their priority
https://www.ecb.europa.eu/paym/t2s/progress/pdf/tg/crg/crg62/06.ut_pbr_068.pdf

Presentation on RTS - Regulatory Technical Standards on Settlement Discipline 1.0
See attached

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Proposed wording for the Change request:

Since in the UDFS there are references (T2S User Detailed Functional Specifications (UDFS) v. 2.1 pg. 370) to the application of priority and seniority criteria in the recycling process, and in the URD (T2S User Requirements Document v.5.04 pg. 158) it is expressed how this criteria applies to propose transactions to settlement and not to force the settlement in a certain order, the request is to implement (amend) the documentation in order to ensure a correct order of settlement.

Accordingly, the section of URD v.5.04 Chapter 8 Paragraph 1.1 Page 158 '*Recycling objectives: favouring the settlement of oldest transactions'* should be modified as follows:

Recycling objectives: ~~Favouring~~ <u>Ensuring</u> the settlement of oldest transactions
Reference ID T2S.08.060
When several transactions with the same level of priority compete for settlement, T2S ~~shall submit~~ <u>settles</u> recycled ~~transactions for settlement and optimisation procedures in a way that favours the settlement of~~ transactions with the oldest intended settlement date. When several pending transactions with the same level of priority and the same intended settlement date are recycled, T2S shall settle the relevant transactions in a way that maximises the volume and value of settlement.

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High level description of Impact:

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Outcome/Decisions:

* CRG teleconference 14 April 2016: The CRG decided to put the Change Request on hold.

* 25 November 2016: The CR was withdrawn by the initiator.