Annex 1: **Explanatory note on the planned resolution of PBI-205369**

Situation after the deployment of Release 3.2 to production (16 November 2019)

Two incidents related to CR-653 (Partial release functionality), acknowledged as release defects during the testing of T2S R3.2, are to be permanently fixed by the resolution of PBI-205369. These two incidents are the following:

1. INC255459: In case a full release is sent on an instruction that is currently partially released, T2S sends two status updates to inform first about the full release of instruction (reason code FUTU / CYCL), second about the cancellation of the partial release process (reason code PREA for the party, PRCY for the counterparty). Instead, the reverse order would be expected based on the CR-653. Furthermore, the second message may be interpreted as signalling that the instruction is on hold, when it is actually released.

2. INC255835: In case a partial release process is cancelled, for instance by putting the partially released instruction back on hold, in some cases T2S informs first about the new status of the instruction, second about the cancellation of the partial release process. Instead, the reverse order would be expected.

These situations could be encountered after the deployment of R3.2 to production. The first situation can be avoided by first putting the partially released instruction on hold, then fully releasing that instruction.

As the resolution of 205369 will take time, a temporary workaround will be delivered as a hot fix 205377 (22 November 2019 in EAC/UTEST, 30 November 2019 in PROD)

Situation after the deployment of the temporary workaround to production (hot fix on 30/11/2019):

The hot fix will consist on extending the scope of an existing business rule (MMRI206, currently used if a partial release is attempted and the referenced Settlement Instruction is already partially released or there is a pending Release Instruction of the same Hold type in the system), to apply also in case in case a full release is sent on an instruction that is currently partially released. The practical effect would be the following, leaving the rest of the partial release-related functionalities unaffected.

1. INC255459: In case a full release is sent on an instruction that is currently partially released, the full release (sese.030) will be denied by T2S. As a result, the situation described above (erroneous order of messages, conflicting information on the hold/release status of the instruction) cannot occur anymore. In order to fully release an instruction that is already partially released, one must first put the partially released instruction on hold, and then fully release that instruction.

2. INC255835: no change

Situation after the permanent solution is deployed

The permanent solution would consist in a significant change within the T2S Settlement domain to ensure that the messages are sent in the expected order, and contain consistent information. Given the significance of the change, it will be presented to the CRG for confirmation that it is consistent with the CR-653 specifications, and it will require extensive testing. In practice, the effect of the permanent solution would be the following:

1. INC255459: In case a full release is sent on an instruction that is currently partially released, the full release (sese.030) will be accepted by T2S, and T2S will reply first with a message confirming the cancellation of the partial release process (PREA for the party, PRCY for the counterparty), second with a message confirming that the instruction is fully released (reason code FUTU/CYCL). To fully release an instruction currently partially released, it is possible again to simply fully release that instruction.

2. INC255835: Messages will be sent in the expected order in case a partially released instruction is put back on hold.