

RELEASE NOTE

Delivery of the User Detailed Functional Specifications V1.2

The attached document is the T2S User Detailed Functional Specifications V1.2 (UDFS V1.2). It is part of the T2S Scope Defining Set of Documents listed in the T2S Framework Agreement and is delivered according to the plan defined in the Schedule 2 of the above mentioned agreement. The UDFS V1.2 has been prepared in close cooperation with the market, through an early involvement of market's representatives followed by a two-month market consultation on UDFS V1.0 in 2011. The UDFS V1.2 can be considered as the stable basis for the start of the CSD/CB Feasibility Assessment upon which CSDs and CBs will base their detailed feasibility for adapting their systems to T2S and according to which other directly connected T2S Actors can design and build the interface of their information systems with T2S.

UDFS V1.2 is the result of a close market involvement

The UDFS V1.2 is the result of a wide, open and intensive consultation process that benefited from the input of a very large range of stakeholders. This process started in June 2010 through an early market involvement that lasted until March 2011. This early involvement process provided the opportunity for CSDs, central banks and banks to comment on the preliminary versions of the UDFS through dedicated workshops and written reviews. More than 2400 comments were collected at that time, among which more than 70% were positively answered. These substantial market's inputs allowed stabilizing the scope and content of UDFS V1.0 that was released in March 2011 for a two-month market consultation.

This market consultation on UDFS V1.0, which took place from 22nd of March 2011 until 27th May 2011, allowed collecting around 1600 comments from which more than two thirds were positively answered for integration into UDFS. Each of these market comments was carefully analyzed and the detailed answers provided to each of them can be found in the table published on the ECB website together with the UDFS V1.2. This table also provides the detailed answers given to the comments received on the 20 additional messages submitted to market review in September 2011.

The integration of the market's feedback has been instrumental for improving the quality of the UDFS. It will also significantly contribute to reach a common understanding by all relevant stakeholders of the way the T2S User Requirements have been implemented.

Audience, scope and content of the UDFS V1.2

As part of the T2S delivery for the specification phase, the User Detailed Functional Specifications contain information aimed at future directly connected T2S Actors (including RTGS and Collateral Management Systems) who need to design and build the interface of their information systems with T2S. For this purpose, UDFS are structured along three chapters (complemented by appendices):

- Chapter 1 – General Features of T2S, providing information on the configuration of parties, securities and accounts, the access to T2S, the T2S settlement day, the T2S application processes and the possible actions of the T2S Operator;
- Chapter 2 – Dialogue between T2S and T2S Actors, providing a formalised description of the application-to-application communication by depicting the behaviour of T2S regarding the interactions with T2S Actors, i.e. when sending/receiving messages to/from the latter;
- Chapter 3 – Catalogue of Messages, describing in detail the set of ISO messages – customised to the specific needs of T2S – which are available to T2S Actors, in order to allow finding the information related to messaging which is necessary for establishing a functioning application-to-application communication with T2S.

In addition, the UDFS provides key information to indirectly connected T2S Actors on the general features of T2S, in particular regarding the T2S behaviour as it may be seen from the point of view of an external Actor interacting with T2S.

As regards more specifically the content of UDFS V1.2, although the changes introduced since UDFS V1.0 are quite limited in scope, they nevertheless bring significant improvements in the following three areas:

- *Market's comments on UDFS V1.0:* as mentioned above, 68% of the comments received on UDFS V1.0 have been positively answered. The integration of these comments in UDFS V1.2 contributes to improve the UDFS either by aligning the specifications with the market's expectations on some critical topics (e.g. implementation of the restriction process, change in the schedule for the automatic reimbursement of auto-collateralisation at the end of the day *etc...*) or by providing further clarifications on some complex processes (e.g. further details on the usage of the rule-based models, i.e. message subscription, restrictions, CoSD).
- *Complementary messages and update of ISO standards:* as announced when delivering UDFS V1.0, 20 additional messages have been integrated into UDFS V1.2 (complementing the 103 messages already available in UDFS V1.0). The vast majority of these messages cover additional queries and reports. As part of the regular ISO message maintenance activity, some of the messages delivered in UDFS V1.0 have been updated for integrating the ISO Standard Release 2011.

- *Extension of the functional scope:*
 - Three of the change requests approved by the July 2011 T2S PB have been integrated into UDFS V1.2 (namely CR 0288_SYS Technical acknowledgements at infrastructure level, CR 0290_URD Mandatory bundling of messages into files during night-time period and CR 0293_SYS Inclusion of the already matched flag criteria in the message subscription);
 - In order to avoid ambiguities in the interpretation of some T2S User Requirements, further clarifications have been brought on the following topics:
 - common repo references in T2S remain available in T2S for informational purposes – the linking of repo settlement instructions rely on standard linking facilities in T2S;
 - the continuous revalidation of instructions can now take place at any time of the settlement day, as soon as a static data update is submitted to T2S;
 - the list of restriction parameters has been extended in order to increase the flexibility of the restriction process;
 - the privilege check takes place at the level of users' privilege only and as such a check is unnecessary at the level of the instructing party;
 - the maximum credit percentage check remains valid for central banks only, but no longer applies for payment banks (typo in the URD to be corrected);
 - Hold Release default for Settlement Instruction functionality has been detailed in the UDFS;
 - the restriction rule ID has been included into the status advice message;
 - clarifications on the matching process for Cum/Ex indicators on Settlement Instructions have been included;
 - minor updates of some Business Validations have been redrafted and organized, according to market's requests.
 - Additional available information on connectivity issues are provided, mainly stemming from the mapping between the network services (real-time, store-and-forward, push, pull) and the functional documentation;
 - Finally, with regards to the description of the migration tools, considering that a new round of discussions with CSDs on migration tools has recently been initiated to clarify market's needs and that migration aspects do not strictly speaking fall into the scope of A2A interactions with T2S, the detailed description of the migration tool has been taken out of the UDFS V1.2 and will be part of a standalone document (Data migration tool specifications).

Next steps

In line with the Schedule 2 of the Framework Agreement, the UDFS V1.2 is the basis for the start of the CSDs' and CBs' feasibility assessment (SP1) and for the adaptation of their internal systems. Although the UDFS V1.2 is considered as sufficiently stable to enter into this adaptation phase, it cannot be completely rule out that the UDFS might be subject to updates in the future. Concretely and following the endorsement of some change requests by the Advisory Group in July 2011, an update of UDFS V1.2 (namely UDFS V1.2.1) will be made available by the Eurosystem by September 2012. This update will cover the following three elements:

- *Change requests approved by the AG/T2S Programme Board in July 2011:* beyond the three change requests already integrated into UDFS V1.2 (namely, CR 288, 290 and 293), seven remaining change requests¹ approved by the AG and T2S Programme Board in July 2011 will be reflected in this UDFS update;
- *Messages updates:* the foreseen changes on message descriptions to reflect the yearly update of the ISO documentation (i.e. Standard Release 2012) as well as the integration of the new messages (stemming from the change requests mentioned above);
- *Architecture issue:* in order to increase flexibility of the model for user certificates, some evolutions are currently under consideration with a view to allow reducing the number of certificates needed for one single physical user or application acting for a legal entity identified as different parties in T2S.

As illustrated by the list of foreseen changes mentioned above, these updates do not affect the T2S core business and can be considered as peripheral and complementary information. Consequently, the foreseen modifications should not prevent considering UDFS V1.2 as the valid external specification basis for entering into the T2S user's adaptation phase.

Finally, any change in the UDFS 1.2 will follow the applicable change management procedure, i.e. formally tracked via the issuance of change requests. In order to have a strict control over the T2S project plan, the change requests that will be accepted by the Programme Board are only those which are indispensable for T2S to go live or those which have no impact on the project plan.

¹ The seven remaining change requests are the following :

- T2S.0277.URD – Same day creation of CSD security link - (T2S.0277.URD is merged with T2S.0294.SYS).
- T2S.0279.URD – Cancellation, allegements
- T2S.0282.URD – Introduction of T2S securities account as an optional matching field
- T2S.0283.URD – Disallow partial settlement of blocking instruction related to corporate actions
- T2S.0285.URD – New attribute for securities account to identify account allocation instructions
- T2S.0291.SYS – Enhance cash side-reporting / add new attribute in message subscription service
- T2S.0294.SYS – Security CSD links same day creation and maintenance in A2A