T2S CHANGE REQUEST FORM			
General Information (Origin of Request) ☒ User Requirements (URD) or GUI Business Functionality Document (BFD) ☐ Other User Functional or Technical Documentation (SYS)			
Request raised by: Clearstream	**Institute:** CSD		**Date raised:** 25/03/2024
Request title: T2S should no longer release cash restrictions related to COSD blocking at real-time closure		**Request No.:** T2S 0828 URD	
Request type: Common	**Classification:** Scope Enhancement		**Urgency:** Normal
1. Legal/business importance parameter: High[1]		**2. Market implementation efforts parameter:** Low[2]	
3. Operational/Technical risk parameter: Low[3]		**4. Financial impact parameter:**[4] Medium	
Requestor Category: CSD		**Status:** Authorised by T2S Steering Level	

Reason for change and expected benefits/business motivation:

T2S COSD logic provides an efficient mechanism to manage settlement flows extending across different settlement systems such as External Settlement where External CSDs are configured as Technical Issuer CSDs.

For such flows, T2S COSD process is used to block securities or cash on a T2S SAC or DCA, which is normally the condition that must be fulfilled to trigger the external settlement activities. Once the external settlement is confirmed, the blocked positions are used to conclude the corresponding settlement in T2S.

For the cash blocking process, one additional element needs to be considered: during Real-Time Settlement Closure phase, T2S releases all cash settlement restrictions for COSD blocked cash and attempts to re-generate them on the next Business Day only. This process was needed to prepare the originally implemented "mandatory cash sweep" to put the cash balance on a DCA to zero prior to T2S EOD.

Until the COSD related cash blocking is re-generated on the next BD, it is no longer ensured that settlement on T2S can be concluded in case external settlement is confirmed. To avoid processing issues, CSDs must implement a complex and cumbersome deadline management process to avoid that any External Settlement is executed during such phases.

With T2S CR-0709 "*Make the mandatory automated cash sweep at 17:45 optional, produce general ledger file and automatically rebook failed liquidity transfers to original DCA*", it is now possible to keep cash balances on T2S DCAs during T2S EOD.

This new option shall be used to deactivate the process to release all cash settlement restrictions for COSD blocked cash during Real-Time Closure phase, and instead to keep such COSD blocked cash on the DCA during T2S EOD.

If T2S will then block cash via the T2S COSD process, it is continuously ensured that this cash can be used to conclude the settlement on T2S after the external settlement was confirmed. This streamlines external settlement processes at CSD level, and it will have a positive impact on settlement efficiency and penalties.

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[1] Legal/business importance parameter was set to "HIGH" as the change has a positive impact onto settlement efficiency for external settlement flows.

[2] Market implementation effort parameter was set to "LOW" as the change does not require implementation efforts on the T2S Actor's side.

[3] Operational/technical risk parameter was set to "LOW" as the change does not introduce new features or processes. Instead, it streamlines existing processes.

[4] Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

Description of requested change:

COSD blocked cash balances shall no longer be automatically released by T2S. Instead, they shall be kept on the DCA at EOD at T2S, so that they remain available to secure settlement of the instructions subject to COSD.

The change should be applicable both for euro and non-euro T2S currencies[5], in a configurable way. A new attribute domain or another configuration tool, configured by the T2S Operator, should be implemented to allow for non-euro NCBs, providing their currency for CeBM settlement on T2S, to decide whether COSD blocked cash restrictions shall remain on the DCA during T2S EOD, until they are eventually released by the COSD Administering Party via the COSD Release process.

This configurable functionality will make possible that if a non-euro currency is not migrated to T2 and needs to mandatorily sweep the cash at EOD back to their RTGS system, the CoSD blocking balances are still released at EOD. With this approach, any new NCB migrating a currency to T2S will be able to take full benefit of this functionality without any software change in T2S.

EOD Cash Management

T2S EOD Cash Management Process shall be adjusted to exclude COSD blocked cash balances from the process "*Release of un-used cash Settlement Restriction*" that is executed during real-time settlement closure.
- During Real-Time Settlement Closure, T2S shall no longer release cash restrictions for COSD blocked cash balances.
- Instead, the COSD blocked cash restrictions shall remain on the DCA during T2S EOD, until they are eventually released by the COSD Administering Party via the COSD Release process.
- COSD blocked cash restrictions shall also be excluded from the optional cash sweep. If such end-of-day Liquidity Transfer is configured, the LT shall not consider any COSD blocked cash balance.
- The process where T2S regenerates the equivalent COSD blocked cash Settlement Restrictions for the next settlement day is no longer needed and shall be dropped as well.

Cancellations

In case of cancellations, same logic applies as currently:
- In case the instructions subject to COSD are cancelled, T2S decreases the blocked position/balance automatically.
- Only in case a COSD rule applies on a T2S generated realignment, then T2S does not automatically decrease the blocked position/balance. Decreases of the COSD blocking are handled later by the CSD or the NCB managing the accounts where resources are blocked. CSD and NCB gather the agreement of all involved administering parties before instructing the decrease with Settlement Restrictions.

This logic is not affected by the change of EOD Cash Management logic requested above.

However, if cancellations of instructions with a COSD rule on a T2S generated realignment occur between DVP cutoff and start of NTS on the next business day, then there is no need for the NCB to manage the decrease of the blocked balance, since by design, at the time of the cancellation, the blocked cash balance is zero anyway . In the future this is no longer the case, since COSD blocked cash balances are no longer released after DVP cutoff, and NCBs would need to manage the decrease of the blocked cash balance in such (rare) cases.

Revalidation logic

In case the revalidation of one of the settlement instructions subject to COSD fails (e.g., in case of change of default DCA due to business rule SPRC008 "*Business Instruction is cancelled because the Default Cash Account has changed, and the business instruction is under CoSD process*"), then T2S cancels all instructions of the COSD group.
- The decrease of COSD blocking related to cancelled Settlement Instructions is handled later by the CSD and the NCB managing the accounts where resources are blocked after the agreement of all involved administering parties.

Today, this case can occur for ad hoc revalidations, but it cannot occur for revalidation at change of business day, as today all blocked balances are released prior to change of business day.

In the future, COSD blocked cash balances are kept at change of business day, and in case T2S cancels the underlying settlement instructions during revalidation, then NCBs would need to manage the decrease of the blocked cash balances in such additional cases.

Impact of T2S Change Requests CR-0813

This change request was raised to sweep any remaining cash from a DCA at EOD if the DCA was closed. It is

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[5] It should be noted that for DKK, the change should also be implemented but only after the implementation of T2S-0794-SYS 'T2S settlement day processes for DKK'.

assumed that this would also apply to COSD blocked cash balances, should they still exist on such a DCA.

In such very rare and exceptional cases, the COSD blocked cash balances shall be transferred to the NCB without change of position type, and the NCB would need to manage the decrease of the blocked cash balances in agreement with the COSD administering parties.

It is assumed that such scenarios should be extremely rare, as the NCBs would normally align with the COSD Administering Parties well in advance when the closure of a DCA is planned and there are still COSD blocked cash balances on the DCA.

Impact on Monetary policy operations.

Due to the fact that CoSD blocked balances will not be freely available for the NCBs and PBs at Real Time Closure Period anymore, an impact on the monetary policy processes has been identified since these balances should be excluded from the calculation of Minimum Reserves and from Automatic Marginal Lending processes.

For this purpose, all the CoSD blocked balances should be reported within the general ledger file sent to T2-CLM at EOD.

In order to cope with this impact, the T2-CR-153 has been raised and will need to be implemented together with T2S-0828-URD.

Out of the scope of this change request.

The release of other unused cash restrictions, such as blocking, and reservation are outside of the scope of this change request.

Submitted annexes / related documents:

[T2S-0813-SYS Cash Sweep for closed accounts with remaining Liquidity (europa.eu)](europa.eu)

Outcome/Decisions:

*CRG on 28 November 2024: the CRG agreed to launch the preliminary assessment of CR-0828.
*CRG on 20 May 2025: the CRG addressed the questions raised by 4CB in the preliminary assessment and agreed to recommend CR-0828 for Steering Level authorisation. The CRG agreed to raise an action point to update the scope of CR-0813 so that it covers the future situation once CR-0828 is implemented.
*CSG on 28 May 2025: the CSG agreed to authorise CR-0828.
*NECSG on 28 May 2025: the NECSG agreed to authorise CR-0828.
*AMI-SeCo on 28 May 2025: the AMI-SeCo agreed with the CRG recommendation of CR-0828 for T2S Steering Level Authorisation.
*MIB on 2 June 2025: the MIB agreed to authorise CR-0828.
*PMG on 28 May 2025: the PMG agreed to request the detailed assessment of CR-0828 in view of R2026.JUN.

Documentation to be updated:

URD for R202X.XXX

CoSD recycling

Reference ID	T2S.09.240

If at the end of the day, T2S does not receive any release or cancellation instruction, the original settlement instruction shall be recycled for the following settlement day based on the T2S recycling rules (i.e. securities should remain blocked and the delivery instruction should remain on hold) ~~and the blocking of cash will be reattempted for the next T2S settlement day)~~.

Preliminary assessment:

- **Financial Impact:** Medium
- **Impacted Modules:** SETT, CRDM, REM, INTF
- **Other security impact:** no
- **Impact on other Eurosystem Services (T2, TIPS) or projects (ECMS):** yes, the corresponding T2 adaptations are considered in T2-0153-SYS. No impact on TIPS and ECMS.
- **Risks:** no

Findings:

SETT:

It is assumed that the new functionality will rely on a parameter setup in CRDM at the currency level.
The assumption is that for each currency in T2S (including the Euro currency), this parameter will indicate whether the cash sweep is mandatory or not. For non-euro currencies for which the cash sweep would be mandatory, the CR-828 functionality should not be applicable and the cash blocked in CoSD will be released at EOD.

The new logic with the CR-828 will be based on the new flag stored in CRDM. According to the value of this parameter:
- Either the CoSD blocked cash resources will be released at EoD and new CoSD regeneration Settlement Restrictions created for D+1 (if the cash sweep remains mandatory for the currency),
- Or the CoSD blocked cash resources will be kept on the CoSD cash sub-balances (if the cash sweep is optional for the currency) even if owner of the DCA has opted for the cash sweep.

In case of Cancel (by the CSD or by the system), of settlement instructions subject to CoSD, new cases of manual release by CSDs or NCBs of cash CoSD blocked balances need to be managed and documented (specifically when it occurs between the IDVP and the NTS start).

The process of generation of the General Ledger file (the generic process as well as the backup process managed by SETT) needs to be updated in order to add the information related to the CoSD blocked cash resources.

SDD updates will be needed.

CRDM:
Configuration of Attribute domain "Blocked CoSD List", containing the T2S Settlement Currency whose cash balances are not automatically released at End Of Day. For Currencies not reported into the list, the current behaviour of CoSD blocking balances released at EOD applies.

LCMM:

- No software changes are needed in LCMM, and no testing is foreseen.
- SDD updates might be needed, a thorough review will be performed during DA.

REM:
- SDD updates might be needed regarding General Ledger including a new field for the CoSD blocked Balances. Thorough review will be performed during DA.
- Test the new field from REM perspective.

INTF:
- Update of camt.053 to include the new information for the General Ledger

Open issues/ questions to be clarified by the originator:

- [Question] Regarding the Impact of the Change Request CR-0813, the CR needs to clarify the expected behaviour in the case where the NCB or Payment Bank would not sweep the remaining cash from a DCA

with CoSD blocked resources.
[CRG Answer]

- CR813 says this cash transfer for closed accounts is mandatory. And in such case, the COSD blocked cash should also be swept, but the "COSD blocked" nature should be kept during the sweep, i.e. it should be swept into another "COSD Blocked" cash position which is now with the NCB. And then the NCB should not just unblock, but align with the COSD Administering Party prior to unblocking on the next steps.
- In our view, the scenario of blocked cash at DCA closure should be an exceptional scenario. If a cash account shall be closed, normally business activities are scaled down prior to this closure. No new instructions are sent any longer, and pending instructions are cancelled. In case a cancellation is requested for the T2S instruction subject to the COSD rule, then this triggers that Clearstream attempts cancellation of the External Settlement Instruction in the External CSD. Once this is confirmed, Clearstream triggers the cancellation of the related T2S instructions. Then the reason for cash blocking is no longer given, and the cash can be released.
- Only in case this process is not successful, and the External Instruction is not cancelled yet, then the cash blocking must not be released. In this case, the NCB needs to get in contact with Clearstream and agree on the next steps. Normally, Clearstream would try to cancel the External Settlement Instruction in the External CSD, and then inform the NCB that cash can be released. Only in case this was not possible, and the External Instruction settled instead, then Clearstream has purchased the securities in the External CSD, and the cash was blocked to support this purchase. In this case, the cash needs to be transferred to Clearstream.
- This is purely an operational process: alignment between NCB managing the blocked cash on the closed DCA, and Clearstream in the role of COSD Administering Party is needed.

- [Question] Name of the Attribute domain to be confirmed
[CRG Answer]

  - We would prefer a name which is a bit more descriptive on the business background, e.g. domain "COSD Blocked Cash No Release"

- [Question] Does the attribute domain contain the Currency Code only or also the BIC of the NCB is needed?
[CRG Answer]

  - Currency Code only, namely at least EUR.
  - DCAs might be held with any NCB in T2S, and if some NCBs support this feature while others do not, then the situation gets unmanageable from a COSD Administering Party perspective. For some DVP instructions, cash would remain blocked, for others not, and this is not even visible in the settlement instructions if default DCAs are used. This would not work. So, the flag should only contain the currency, and then the same logic shall be applied for the whole currency.

Detailed assessment: