

<b>General Information (Origin of Request)</b>		
<input checked="" type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
<b>Request raised by:</b> Euroclear	<b>Institute:</b> CSD	<b>Date raised:</b> 31/07/2012
<b>Request title:</b> Account nature manager control		<b>Request ref. no:</b> T2S 0361 URD
<b>Request type:</b> Common		<b>Urgency:</b> Normal
<b>1. Legal/business importance parameter:</b> (C, H, M, L) H	<b>2. Market implementation efforts parameter:</b> (H, M, L) L	
<b>3. Operational/Technical risk parameter:</b> (H, M, L) M	<b>4. Financial impact parameter:</b> (H, M, L) (to be filled in by 4CB)	
<b>Requestor Category:</b> CSD		<b>Status:</b> Rejected by Change Review Group

**Reason for change and expected benefits/business motivation:**

In ESES there is a control which ensures for each inbound settlement instruction message that the combination party/ISIN/Account nature is allowed. The account nature is a component of the ESES account structure that allows a segregation for legal, operational or other purposes. In T2S, ESES CSDs will replicate this feature through the creation of additional accounts with dedicated MSAs. An ESES table manages the link between the account nature, party and ISIN.

Some account natures can be debited/ credited only by specific party(ies) linked to the related ISIN (called "the account nature manager")

So the aim of the control set up is to ensure for each inbound message that the combination party/ISIN/Account nature is allowed.

As an example, this control exists for the account nature 009: Accounts for issuer registered securities.

The control will allow the issuer only to receive registered securities under the account nature 009. This control prevents a client to transfer its registered securities held in registered form to a custodian other than the issuer. If the control is removed the security may be transferred to another party than the issuer.

Replication of this control in T2S will allow keeping current service level for ESES clients. Failure to replicate this control will result in the following impacts:

- In increased operational workload as some forbidden combinations will pass through the system and will have to be corrected manually by the clients
- Disruptions in the registration processing for registered securities, as this check is essential for the integrity of related processing.

Beside that the securities CSD link limited to 10 accounts for a single ISIN is too restrictive for the ESES CSD.

**Description of requested change:**

The request is to have the same control made by T2S for the ESES CSD.

One of the solutions discussed is to enlarge the use of the 'Securities CSD link' to set the links between the account nature manager, the ISIN and account nature.

In order to manage control on the securities account manager, not only the CSD can be part of this 'Securities CSD link' but also any account manager. In addition, any other securities account (with credit possible) could be added in the 'Securities CSD links'.

Based on our current understanding, this control could be replicated in T2S via the "Securities CSD link" (reda.045) by expanding the parameters, in addition to the ISIN code and the security account number, to :

- Debit or/and credit side
- Linked MSA (field will contain the underlying MSA linked to the account nature of the security account)

If there is an account nature manager which is set in the table:

- T2S has to reject all the settlement instructions movements for which the security account for the related ISIN and with the related MSA does not match the information set in the table

Another change derives from the solution described above: to have the possibility in the Securities CSD link to register more up to 100 securities accounts which could be either standard or issuance accounts. Limit of 100 has been validated based on current business use, where this functionality is only used for custodian accounts and not for end investors

This control should no impact cross CSD instructions: it is made at the level of the account of the party who sent the instruction. At present, there is no business process where this control would apply to an instruction sent by an investor CSD. These controls apply mostly to instructions sent by issuers / issuers agents / registrars to check that they are duly authorised to operate on a given ISIN.

It is likely that the T2S GUI will need to be updated (to be confirmed when the new version of T2S GUI will be available).

Alternative of using restriction 1 solution but this was not retained as this would imply a cumbersome manual process to parameter the control in T2S.

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#### Submitted annexes / related documents:

In order to explain our need please find below the example of the controls that we want to set up in a **dynamic way**. The aim of the control is to be able for the same ISIN to accept or reject movement depending on the account manager.

For the ISIN X the ESES Client A is set as the account manager for :

- the NDC/Account 010 in Debit and Credit Side
- the NDC/Account 020 in Debit side only

Based on this Set up the following must be applied

Security ISIN	Party	NDC/ Account	Debit / Credit	Control
ISIN X	ESES Client A	000	Debit	Movement accepted
ISIN X	ESES Client A	000	Credit	Movement accepted
ISIN X	ESES Client A	010	Debit	Movement accepted
ISIN X	ESES Client A	010	Credit	Movement accepted
ISIN X	ESES Client A	020	Debit	Movement accepted
ISIN X	ESES Client A	020	Credit	Movement rejected
ISIN X	ESES Client B	000	Debit	Movement accepted
ISIN X	ESES Client B	000	Credit	Movement accepted
ISIN X	ESES Client B	010	Debit	Movement rejected
ISIN X	ESES Client B	010	Credit	Movement rejected
ISIN X	ESES Client B	020	Debit	Movement rejected
ISIN X	ESES Client B	020	Credit	Movement rejected

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#### Proposed wording for the URD Change request:

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**High level description of Impact:**

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**Outcome/Decisions:**

CRG meeting of 1-2 October 2012: The Change Request is discarded.