Migration of instructions set at ICPG3 by both counterparties

Versioning	Version	1.2
	Publication date	August 29th, 2016

I. DESCRIPTION OF THE EXISTING PRACTICE & OF THE IMPACTS

Description of the existing practice	*No existing practice.*

Description of the T2S impact	In the process defined by Euroclear France for the migration of instructions to T2S, as regards the indicator ICPG reflecting the availability of securities for auto-collateralization on flows:
	• Instructions not matched on migration date will be migrated by Euroclear France to T2S;
	• As regards instructions matched but not settled:
	o Instructions set at ICPG0 (securities not available for aut-collateralization on flow) will be migrated by Euroclear to T2S;
	o Instructions set at ICPG3 (securities available for aut-collateralization on flow) by one counterparty only will be migrated by Euroclear France to T2S;
	o Instructions set at ICPG3 (securities available for aut-collateralization on flow) by both counterparties will not be migrated by Euroclear France to T2S, as sese.023 messages do not allow the indication that the counterparty also wishes that securities are available for auto-collateralization on flow.

Description of the major issue	Instructions matched but not settled for which both counterparties have set the indicator at ICPG3, thus indicating that securities are available for auto-collateralization on flow, cannot be automatically migrated by Euroclear France (two cases to be considered: matched instructions failing during the migration, instructions to be settlement post-migration).
	Euroclear France cannot send these instructions in already matched mode as they are, sese.023 messages not allowing for the indication that the counterparty also wishes that securities are available for auto-collateralization on flow.
	Euroclear France chose to purge these instructions.

Description of the roles and responsibilities of the actors involved (OPTIONAL)	

Workflows (OPTIONAL)	

Links with other market practices	-

II. RECOMMENDED MARKET PRACTICE

Recommended practice	As instructions for which both counterparties have set the indicator at ICPG3 (securities available for auto-collateralization on flow) cannot be migrated to T2S, the following market practice is recommended:
	For this type of instruction, to be settled from the first settlement day in T2S, institutions are invited to modify the indicator from ICPG3 to ICPG0 prior to the migration to T2S. It should be noted that this only applies to non-cleared OTC transactions.
	2 types of instructions are concerned in this case:
	• instructions matched but failing during the migration;
	• instructions to be settled post-migration.
	It should be noted that some controls will be necessary several days before and up to the migration to modify the instructions before they are matched. If they are, the cancellation will need to be made bilaterally.
	As regards settlement instructions cleared by LCH.Clearnet on French fixed income securities negotiated OTC, excluding transactions negotiated at Euronext Paris, the approach chosen is as follows:
	The clearing member with a set-up at ICPG3 will be able to keep it (during and after the migration); he must not intervene on related fails nor instructions after the migration. LCH.Clearnet will re-instruct the fails and ensure that instructions post-migration are input in T2S for the first settlement day without any intervention from its client.
	It is also recommended to participants not to send settlement instructions with:
	• an indicator set at ICPG3, and
	• an intended settlement date after September 12th, 2016.
	These instructions should be re-issued (to Euroclear France or to T2S) after the point of no-return during the migration week-end.

Reasons for the choice	As these instructions cannot be migrated by Euroclear France, participants have several possible solutions:
	• They can cancel their instructions prior to the migration and re-instruct them post-migration, which requires both counterparties to modify the instruction during the migration week-end.
	• They can change the indicator to ICPG0 prior to the migration. This solution simplifies the tasks to be carried out during the migration week-end. Yet it will require higher cash available to ensure settlement on the first settlement day in T2S.

Description of the roles and responsibilities of the actors involved (OPTIONAL)	

Workflows (OPTIONAL)	

III.   IMPLEMENTATION

Implementation timeline	Before the migration to T2S	Upon go live on T2S	After the migration to T2S
	☐ Date: _____	☑ Date: 12/09/2016	☐ Date: _____