

T2S CHANGE REQUEST FORM		
General Information (Origin of Request) <input checked="" type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: CSDR Task Force	Institute: ECB	Date raised: 13/10/2025
Request title: Extension of the T2S penalty mechanism exemption		Request No.: T2S-0862-URD
Request type: Common	Classification: Regulatory compliance	Urgency: Fast-Track
1. Legal/business importance parameter ¹ : High	2. Market implementation efforts parameter ² : Low	
3. Operational/Technical risk parameter ³ : Low	4. Financial impact parameter ⁴ : (provided by 4CB)	
Requestor Category: ECB		Status: Registered

Reason for change and expected benefits/business motivation:

One of the core objectives of the CSDR is to promote settlement efficiency through a Settlement Discipline Regime, which, at the settlement layer, implies the payment of cash penalties for late settlement of transactions.

In 2022 the T2S Governance introduced a T2S cash penalty mechanism applicable to settlement fails via the T2S 654 URD Change Request. The T2S penalty mechanism provides daily calculation and reporting of cash penalties, monthly reporting of the aggregated amounts of cash penalties computed for a given month, and operational tools for CSDs to manage cash penalties in T2S.

In the context of the Regulatory Fitness and Performance (REFIT) programme⁵, a new set of regulatory exemptions from the cash penalty regime is introduced for settlement fails. Consequently, the European Securities Market Authorities (ESMA) drafted a new Technical Advice⁶ (TA) for clarifying the scope of the settlement discipline, inter alia detailing the circumstances in which operations are not considered as trading should be exempted from the scope of cash penalties.

This change request focusses on the practical implementation of those exemptions in the T2S penalty mechanism, and shall cover the following type of operations: (de-)mobilisation of collateral for ESCB credit operations or for the purposes listed in Annex V to Guideline ECB/2024/22; market claims and corporate actions on stock; technical creation of securities; technical creation and redemption of fund units or shares on the primary market (including ETFs shares), technical realignment operations between CSDs including T2S technical realignment operations⁷.

As per the current implementation of the T2S penalty mechanism, settlement instructions related to corporate actions on stock and T2S realignment instructions are already exempted. The existing mechanism whereby settlement instructions to be exempted are identified on the basis of ISO transaction type code can be leveraged. However, the Technical Advice mandates the use of identical codes on both legs of the settlement instruction to benefit from the exemption, in order to minimise potential misuse of the exempted codes. As this logic is currently not implemented

¹ Legal/business importance parameter was set to high given that this change in T2S is stemming from the CSDR REFIT and should be implemented for the go-live of T+1 on 11 October 2027.

² Market implementation effort parameter was set to low because it is not expected that a long implementation test campaign is needed to test the extension of the penalty mechanism exemption.

³ Operational/technical risk parameter was set to low given that this change corresponds to an extension of the exemption for the T2S penalty mechanism, mitigating operational risks.

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

⁵ Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories and amending Regulation (EU) No 236/2012

⁶ Final Report – Technical Advice on the Scope of CSDR Settlement Discipline, 26 June 2025 ESMA74-2119945925-2208

⁷ Share registration was part of the list of non-trading exemption cases defined by ESMA but is not part of this CR as it requires further discussion and is anticipated to rely on a different mechanism.

in the T2S penalty mechanism, this requirement must be integrated in the change request.

In order to support the management of exemptions from the T2S penalty mechanism based on ISO transaction type codes, the T2S CSDR Task Force proposes maintaining in T2S a dedicated list of the ISO transaction type codes to be exempted. This solution offers two main advantages:

- (i) the list of ISO transaction type codes does not need to be finalised during the standard T2S change and release management process, as it can be agreed and populated up to the implementation of the change request;
- (ii) future adjustments to the scope of exemptions can be made without submitting a new change request, provided that the exemptions continue to rely on ISO transaction type codes.

Description of requested change:

Transaction Types subject to Cash Penalties

Reference ID	T2S.22.050
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T2S shall compute cash penalties for settlement instructions sent by T2S Actors and populated with any ISO transaction type code, except for settlement transactions where both settlement instructions are populated with "CORP," the same ISO transaction code included in the "Cash Penalties Transaction Type Exemption List".

Note: As per regulatory requirements, the following T2S transaction types are exempted from the cash penalties: (de-)mobilisation of collateral for ESCB credit operations or for the purposes listed in Annex V to Guideline ECB/2024/22; market claims and corporate actions on stock; technical creation of securities; technical creation and redemption of fund units or shares on the primary market (including ETFs shares); T2S technical realignment operations. All other transaction types shall be subject to cash penalties (both Settlement Fail Penalties and Late Matching Fail Penalties), except corporate actions on stock.

16.9.9 Cash Penalties Transaction Type Exemption List

Definition

Reference ID	T2S.16.xx
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T2S shall use a list of ISO Transaction Types that defines the scope of transactions to be exempted from the cash penalties. Each item of this list includes the following attributes:

- Transaction Type Code
- Transaction Type Description

Maintaining Cash Penalties Transaction Type Exemption List

Reference ID	T2S.16.xx
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The Cash Penalties Transaction Type Exemption List is maintained by the T2S operator.

Note: The content of this list is managed by the T2S Operational Managers Group (OMG) based on input from CSDs. A change to the list shall be justified by regulatory requirements.

Summary of the various static data updates that the responsible T2S Actor can perform

Responsible T2S Actor	Class of Information	Attribute	Updatable
CSD (acting as SME)	Securities Subject to Penalties	ISIN	No
		Financial Instrument Type	Yes
		Liquidity	Yes
		Valid From	No
		Valid To	Yes
CSD (acting as SME)	Daily Price	ISIN	No
		Price Date	No

Responsible T2S Actor	Class of Information	Attribute	Updatable
		Currency Code	Yes
		Price	Yes
T2S Operator	SME Growth Markets	MIC Identifier	Yes
T2S Operator	Securities Penalty Rate	Asset Type	No
		Daily Flat Penalty Rate	Yes
		Valid From	No
T2S Operator	Cash Discount Penalty Rate	Currency Code	No
		Daily Flat Penalty Rate	Yes
		Valid From	No
ECB	Euro Exchange Reference Data ⁸	Currency Code	No
		Daily Exchange Rate	Yes
		Exchange Rate Date	No
T2S Operator	Cash Penalties CCP List	BIC	Yes
<u>T2S Operator</u>	<u>Cash Penalties Transaction Type Exemption List</u>	<u>Transaction Type Code</u>	<u>Yes</u>

Submitted annexes / related documents:

Outcome/Decisions:

*CRG on 14 January 2026: the CRG agreed to recommend CR-0862 T2S Steering Level Authorisation, following a fast-track approach.

*AMI-Se-Co on 22 January 2026: the AMI-SeCo agreed with the CRG recommendation of CR-0862 for T2S Steering Level Authorisation

*CSG on 22 January 2026: the CSG agreed to authorise CR-0862.

*NECSG on 22 January 2026: the NECSG agreed to authorise CR-0862.

*MIB on 23 January 2026: the MIB agreed to authorise CR-0862.

⁸ A specific Data Migration Tool (DMT) file will be made available to the ECB as requested in CR718 to support the daily Euro Foreign Exchange Rate data loading process.

Documentation to be updated:

Preliminary assessment:

Detailed assessment:
