



Bratislava, 19 June 2020

Change of recycling period for matched settlement instructions

Dear clients,

we would like to inform you that due to implementation of T2S Change Request T2S_0691_URD a new parameter for automatic cancellation shall be applied to all matched settlement instructions in T2S from 5 October 2020, when the value of this parameter will be changed from unlimited period to 60 business days. Similar automatic cancellation of instructions has already been applied to instructions not matched during 20 business days. By this change the automatic cancellation will be expanded also to the matched instructions.

Aim of this modification is to decrease number of matched, but pending settlement instructions in T2S. New rules are bringing single procedure and agreement for the central securities depositories participating in T2S and their participants in order to maintain securities settlement transactions effective. This change at the same time respects the settlement finality rules applied in the EU pursuant to the Directive 98/26/EC of the European Parliament and of the Council on Settlement Finality. What exactly does this change mean? As a result the T2S validation mechanism, or the validation system of the information system of CDCP (hereinafter only „IS CDCP) shall count number of business days from the last relevant date until current business day for each transaction (i.e. two matched instructions), and if the result is number 60, than at the end of that business day the shall cancel both instructions of given transaction without possibility to renew them.

The last relevant date is the Intended Settlement Day or a day on which the last change in transaction status was recorded. The last change of the transaction status occurs when, for example, the hold status is released for both instructions in the transaction. It means that release of hold status for only one instruction is not sufficient for the 60 days recycling period to be restarted.

In practical terms, for the community of CDCP participants and their client this signifies that change of the parameter will be applied to each instruction matched in T2S/IS CDCP, for which no change in status was recorded during the period from 14 July 2020 to 5 October 2020 and with intended settlement day on 14 July 2020 or prior (i.e. former date). All transactions fulfilling these conditions will create the first batch of instructions that shall be automatically cancelled at the end of the business day dated 5 October 2020.

This new mechanism will be implemented to the securities settlement system processes through the Rules of Operation of CDCP.