

1.1.1.1 Realignment

1.1.1.1.1 Concept

The realignment application process handles the cases of:

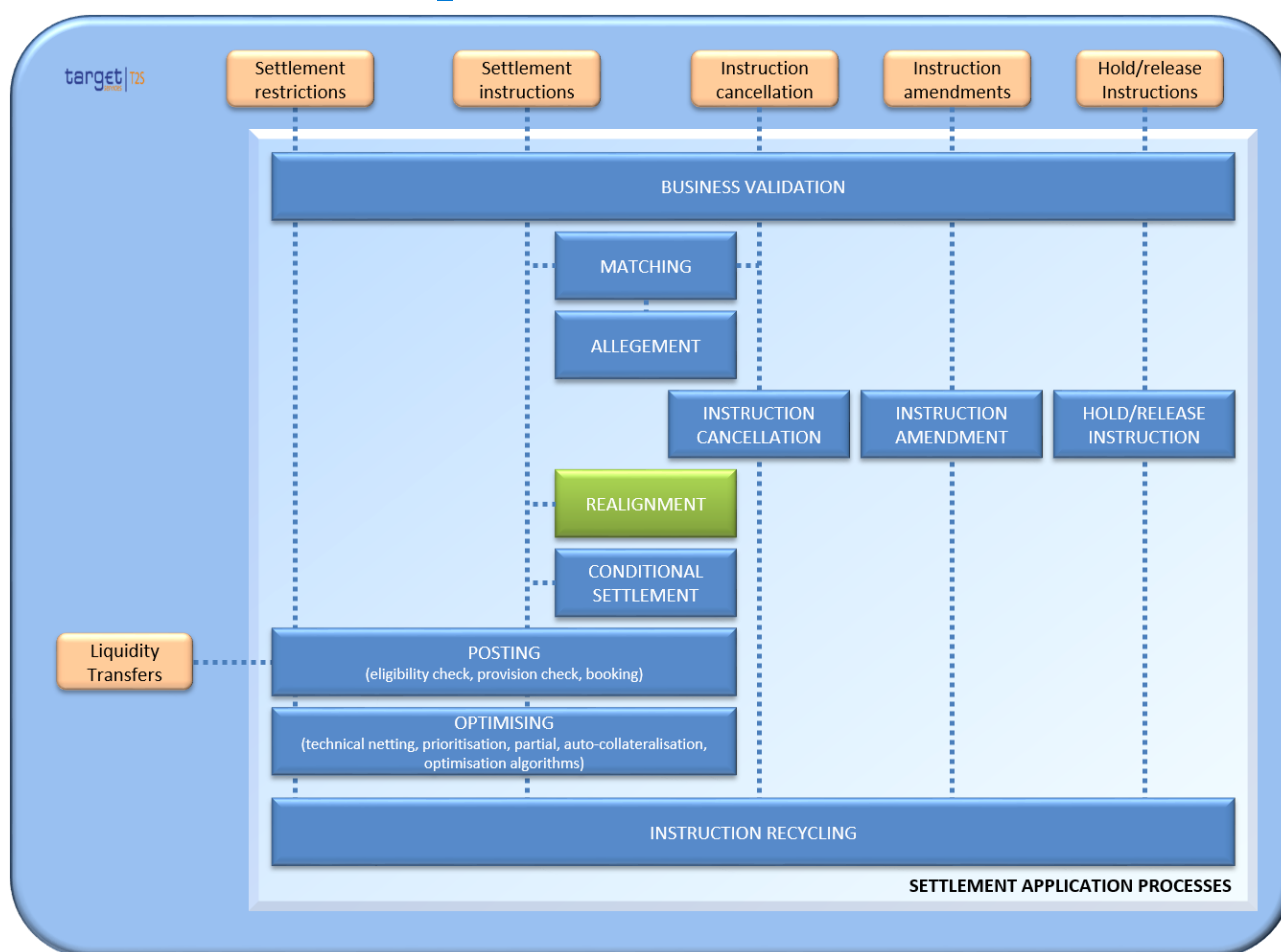
- | Cross-CSD settlements, i.e. settlements between T2S Actors of different CSDs, the latter being in T2S;
- | External-CSD settlements, i.e. settlements between T2S Actors of different CSDs, with some of the CSDs involved in the settlement being external to T2S.

Cross-CSD settlement is achieved in T2S with the simultaneous booking of cash and securities for Settlement Instructions between participants of different CSDs. Once incoming Settlement Instructions are matched (or validated for already matched incoming Settlement Instructions), the realignment application process creates automatically all the requested Settlement Instructions between the involved CSDs, referred hereafter as T2S generated realignment Settlement Instructions. This automatic generation relies on links set in the reference data between the relevant CSDs and does not request from the T2S Actors any other action. It takes place immediately following either the validation of already matched Settlement Instructions, or the matching of Settlement Instructions matching in T2S.

Realignment application process is also applied for external-CSD settlement.

This section details the parameters required from T2S Actors to manage the realignment in T2S for cross-CSD and external-CSD settlement. It also details the resulting realignment chain with the description of the T2S generated realignment Settlement Instructions reported to the involved T2S Actors.

For external-CSD settlement, only the process applying to the Settlement Instructions actually submitted to T2S is described. All actions required by the realignment but without interaction with T2S are not described.

DIAGRAM 1102 - REALIGNMENT APPLICATION PROCESS

1.1.1.1.2 Overview

Upon the matching of Settlement Instructions, or upon the validation of already matched Settlement Instructions, the realignment application process verifies if the incoming business Settlement Instructions are requiring realignment Settlement Instructions on securities accounts other than those of the submitting T2S Actors (e.g. on the accounts of the issuer CSD).

When the need to realign is identified, the realignment application process creates automatically the T2S generated realignment Settlement Instructions, based on the cross-CSD links set by CSDs in the reference data.

The T2S generated realignment Settlement Instructions are then validated, and linked to the initial underlying Settlement Instructions through two links INFO providing the references of both business Settlement Instructions for information purposes. T2S ensures that the T2S generated realignment Settlement Instructions and their business Settlement Instructions settle on an all-or-none basis.

1.1.1.1.3 Realignment process

Parameters necessary for realignment

Role and links between CSDs for cross-CSD and external-CSD settlement

Irrespective of whether it is a cross-CSD or an external-CSD settlement, a CSD is defined for the realignment process as:

- | The issuer CSD, when it is the CSD in which the security has been issued and distributed on behalf of the Issuer;
- | The investor CSD, when it is the CSD of at least one party of the Settlement Instruction;
- | Or both, when it is the CSD in which the security has been issued and the CSD of at least one party of the Settlement Instruction.

To manage the cross-CSD and external-CSD settlements, each investor CSD has the choice between:

- | Opening an omnibus account (see section below) in the books of the issuer CSD to reflect the holdings of its participants for the securities, or;
- | Opening an omnibus account in the books of any other CSD being already an investor CSD for the same financial instrument.

In both cases, the CSD where the omnibus account is opened is defined as the technical issuer of the investor CSD for the given securities. For a given ISIN, an investor CSD can define several such investor-type CSD links, meaning that it can define several technical issuer CSDs for a given ISIN. However, one of those links and only one should be given the preference for settlement under simple configurations (all CSDs in T2S, no multi-issuance), this is the “default” link. Under more complex configurations (external CSD configuration, multi-issuance), the preference should go first to one of the other “alternative” links, more specifically the one pointing to the counterpart CSD, in case it is set up in the reference data. Otherwise, the default links should be used also under those complex configurations.

Only one link, whether default or alternative, can be set up towards a given technical issuer CSD for a given investor CSD and a given ISIN at the same point in time.

The issuer-type CSD link cannot be an alternative link, it has always to be defined as a “default” link. Only investor-type links can be flagged “alternative”. Those links cannot be defined for an investor CSD outside T2S and they cannot point to a technical issuer CSD outside T2S.

To that purpose, CSDs are required to configure the following parameter in the static data:

PARAMETERS	DEFINITION
CSD links	<p>Each investor CSD has to define a technical issuer CSD per securities it intends to set as eligible for settlement (See section Securities reference data [Error! Bookmark not defined.⁷⁶]). This results in the creation of a link between the investor CSD and its technical issuer CSD for a given financial instrument.</p> <p>For a given investor CSD, the technical issuer CSD may be different for each security. It is in most cases the issuer CSD of the security.</p> <p>The issuer CSD sets a CSD link with itself as issuer.</p> <p>(See section Configuration of securities accounts for cross-CSD settlement and external CSD settlement [Error! Bookmark not defined.¹⁰²])</p>

This set-up is used by T2S to derive the realignment chain applicable to matched Settlement Instructions starting either from both investor CSDs (delivering and receiving) up to the issuer CSD(s) of the traded securities when default links are used, or from the delivering investor CSD up to the receiving investor CSD (or vice versa) when alternative links are used.

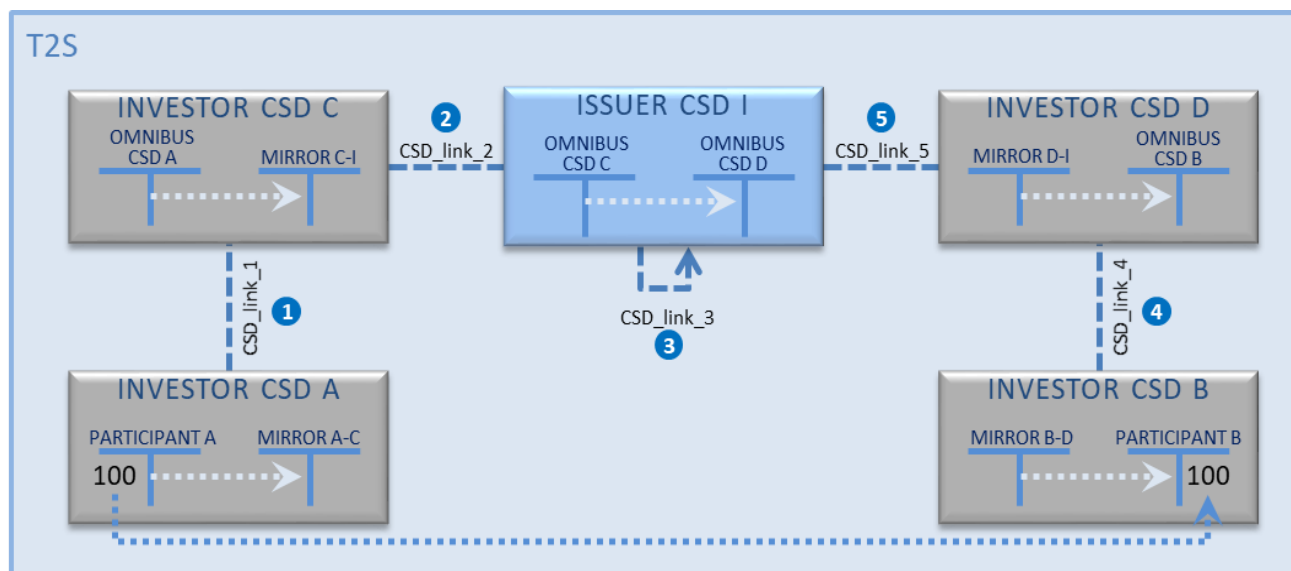
The following example illustrates the configuration of CSD links for ISIN X in case default links up to the issuer CSD are being used:

EXAMPLE 119 A - CONFIGURATION OF CSD DEFAULT LINKS FOR AN ISIN

Security CSD Link Identifier	SECURITY CSD LINK				Default Link
	Securities Identifier	Link type	Issuer/Investor Party Identifier	Technical Issuer Party Identifier	
CSD Link 1	ISIN X	NVST	CSD A	CSD C	TRUE
CSD Link 2	ISIN X	NVST	CSD C	CSD I	TRUE
CSD Link 3	ISIN X	ISSR	CSD I		TRUE
CSD Link 4	ISIN X	NSVT	CSD B	CSD D	TRUE
CSD Link 5	ISIN X	NSVT	CSD D	CSD I	TRUE

For a delivery of 100 securities from Participant A in CSD A to Participant B in CSD B, the following diagram illustrates the derived realignment chain using these default CSD links.

DIAGRAM 2103 A - ILLUSTRATION OF THE REALIGNMENT CHAIN DERIVED FROM THE ABOVE EXAMPLE



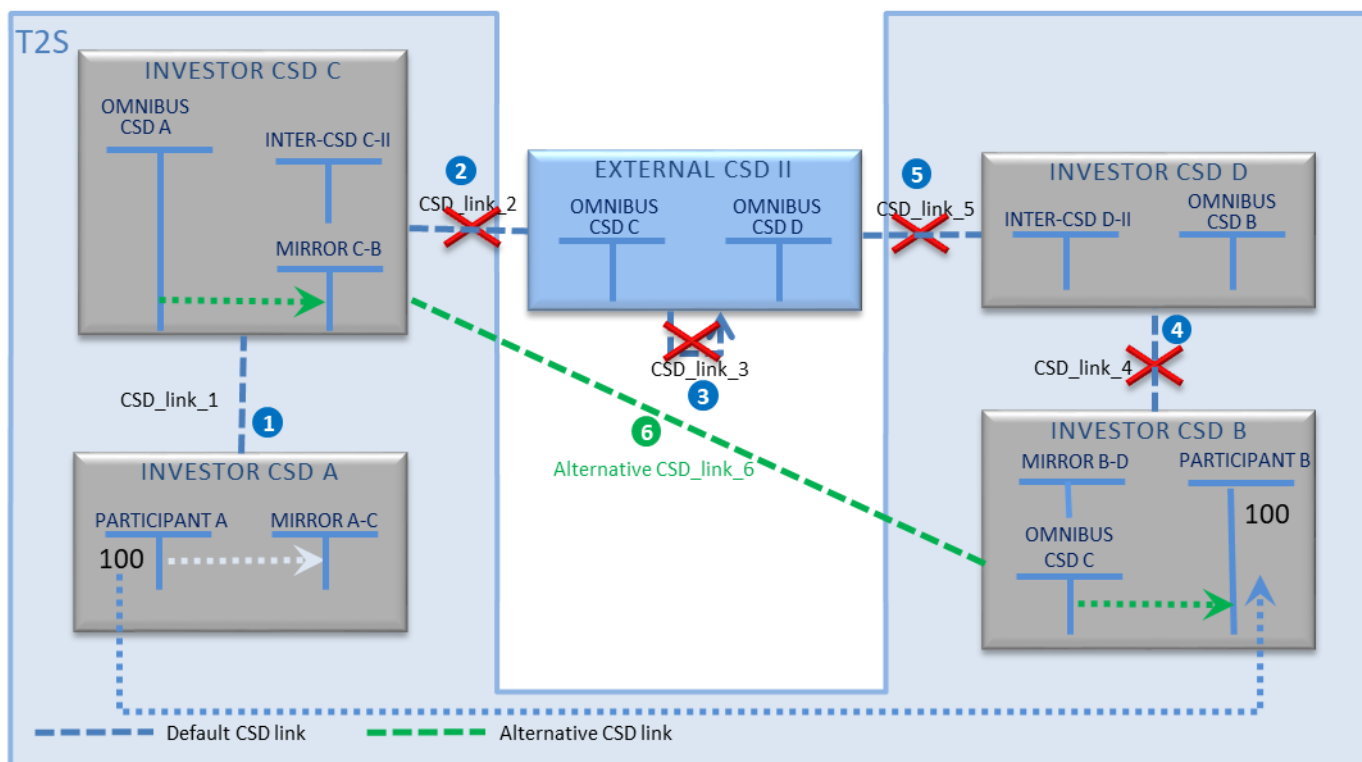
The following example illustrates the configuration of CSD links for ISIN X in case an alternative link up to the counterpart CSD is being used (to avoid the complex process settling via External Issuer CSD):

EXAMPLE 119 B - CONFIGURATION OF CSD DEFAULT & ALTERNATIVE LINKS FOR AN ISIN

SECURITY CSD LINK					
Security CSD Link Identifier	Securities Identifier	Link type	Issuer/Investor Party Identifier	Technical Issuer Party Identifier	Default Link
CSD Link 1	ISIN X	NVST	CSD A	CSD C	TRUE
CSD Link 2	ISIN X	NVST	CSD C	External CSD II	TRUE
CSD Link 3	ISIN X	ISSR	External CSD II		TRUE
CSD Link 4	ISIN X	NSVT	CSD B	CSD D	TRUE
CSD Link 5	ISIN X	NSVT	CSD D	External CSD II	TRUE
CSD Link 6	ISIN X	NSVT	CSD C	CSD B	FALSE

For a delivery of 100 securities from Participant A in CSD A to Participant B in CSD B, the following diagram illustrates the derived realignment chains (default and alternative), giving the preference to the alternative link (CSD_link_6 in green font) over the default CSD links, due to the existence of an external (issuer) CSD.

DIAGRAM 103B - ILLUSTRATION OF THE REALIGNMENT CHAINS DERIVED FROM THE ABOVE EXAMPLE



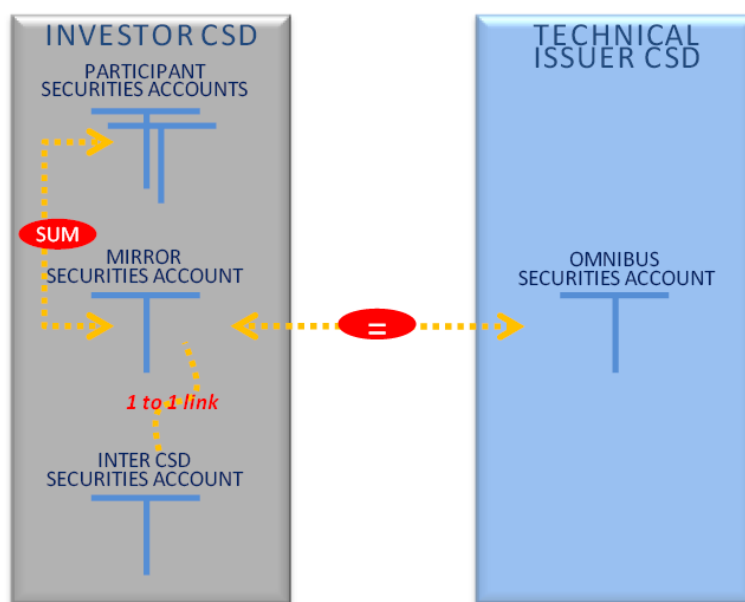
Accounts definition and organisation for cross-CSD and external-CSD settlement

This section introduces the different types of securities account required for the realignment process in the context of the links defined above between CSDs.

TABLE 1128 - DIFFERENT TYPES OF ACCOUNTS REQUIRED FOR THE REALIGNMENT PROCESS

SECURITIES ACCOUNTS	DEFINITION
Omnibus securities account to configure by the technical issuer CSD	<p>For cross-CSD and external-CSD settlement, a technical issuer CSD must configure, in the reference data, an omnibus account for each investor CSD for which a CSD link (default or alternative) exists.</p> <p>This omnibus account is used by the investor CSD to hold the securities owned by its participants. It is strictly equivalent to any participant's account of the technical Issuer CSD. It is linked to one (and only one) mirror account opened in the investor CSD.</p> <p>The investor CSD can choose to segregate such holding in several omnibus accounts.</p> <p>(See section Configuration of securities accounts for cross-CSD settlement and external CSD settlement [Error! Bookmark not defined.102])</p>
Mirror securities account to configure by the investor CSD	<p>An investor CSD must configure, in the reference data, a mirror account per omnibus account opened in its technical issuer CSD.</p> <p>This mirror account reflects in the investor CSD, the omnibus account held within a technical issuer CSD. It is linked to one (and only one) omnibus account opened in the technical issuer CSD.</p> <p>At any moment, the balance in credit of the omnibus account is in theory equal to the balance in debit of the mirror account. Exception to that may occur when the issuer CSD is external to T2S and the securities are underway of transfer from/to T2S to/from an external CSD. In this case, the difference between the mirror account and the omnibus account is reflected in the inter CSD account.</p> <p>(See section Configuration of securities accounts for cross-CSD settlement and external CSD settlement [Error! Bookmark not defined.102])</p>
Inter CSD securities account to configure by the investor CSD	<p>For external-CSD settlement, a CSD acting as an investor CSD must configure, in the reference data, an inter CSD account per mirror account.</p> <p>The inter CSD Account is linked to one (and only one) mirror account. Its balance is usually equal to zero except when the issuer CSD is external to T2S and securities are being transferred from/to T2S to/from an external CSD:</p> <p>If the balance of the inter CSD account is in credit, a quantity of securities equal to this balance should be transferred from T2S to the external CSD;</p> <p>If the balance of the inter CSD account is in debit, a quantity of securities equal to this balance should be transferred from the external CSD to T2S.</p> <p>When these transfers are executed, the balance of the inter CSD account goes back to zero and the balance of the mirror account is again in line with the balance of the omnibus account.</p>

The following diagram illustrates the organisation of securities accounts resulting from the use of a single omnibus securities account at the technical issuer CSD.

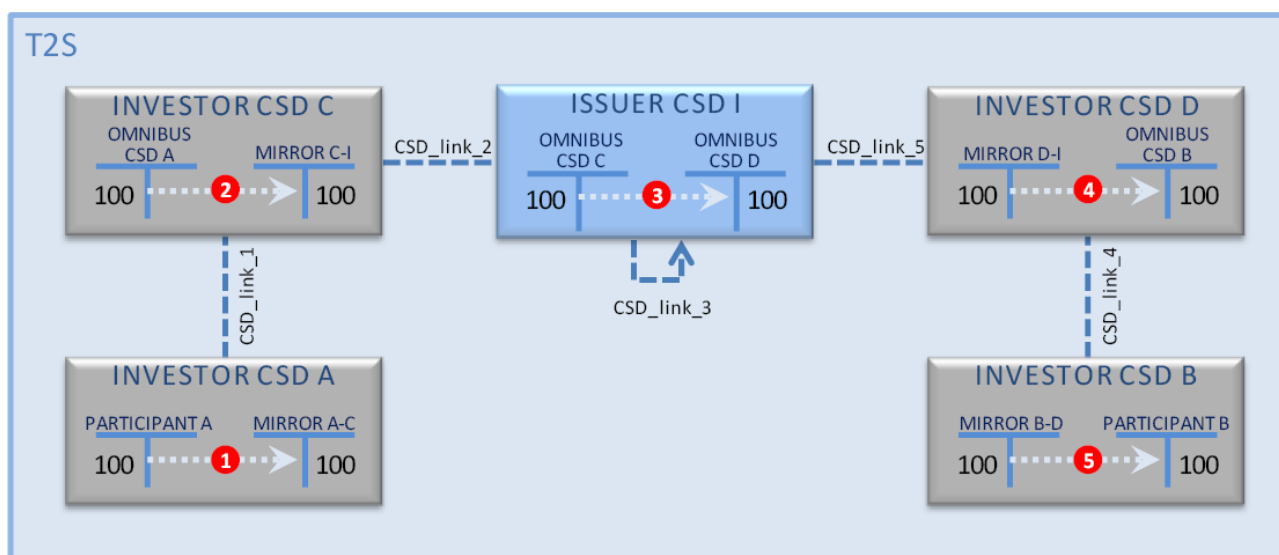
DIAGRAM 3104 - ORGANISATION OF ACCOUNTS WITH A SINGLE OMNIBUS ACCOUNT AT THE TECHNICAL ISSUER CSD

The following example illustrates the securities accounts that have to be configured by the CSD, in order for T2S to derive the Settlement Instructions necessary for the realignment in the context of “default” Security CSD Links. The setup of the inter CSD account is required only when the technical issuer CSD is outside T2S. The setup of the CSD participant securities account is required only when the investor CSD has several omnibus accounts at the technical issuer CSD.

EXAMPLE 2120 A - CONFIGURATION OF ACCOUNTS FOR REALIGNMENT WITH A SINGLE OMNIBUS ACCOUNT AT THE TECHNICAL ISSUER CSD IN T2S - TABLE AND DIAGRAM

CSD ACCOUNT LINK ID	INVESTOR CSD PARTY	TECHNICAL ISSUER CSD PARTY	CSD PARTICIPANT SECURITIES ACCOUNT	OMNIBUS ACCOUNT (IN THE TECHNICAL ISSUER CSD BOOKS)	MIRROR ACCOUNT (IN THE INVESTOR CSD BOOKS)
CSD A/C LINK 1	CSD A	CSD C		Omnibus CSD A	Mirror A-C
CSD A/C LINK 2	CSD C	CSD I		Omnibus CSD C	Mirror C-I
CSD A/C LINK 5	CSD D	CSD I		Omnibus CSD D	Mirror D-I
CSD A/C LINK 4	CSD B	CSD D		Omnibus CSD B	Mirror B-D

On the basis of these securities accounts, the following diagram illustrates the settlement movements that the realignment application process can derive only from the “default” Security CSD Link configuration for a delivery of 100 securities from Participant A in CSD A to participant B in CSD B.

DIAGRAM 4105 A - REALIGNMENT WITH SINGLE OMNIBUS ACCOUNT AT THE TECHNICAL ISSUER CSD IN T2S

The following example illustrates the securities accounts that have to be configured by the CSD, in order for T2S to derive the Settlement Instructions necessary for the realignment, using either an “alternative” Security CSD Link (as a priority, when exists) or “default” Security CSD Links when no “alternative” link can be used.

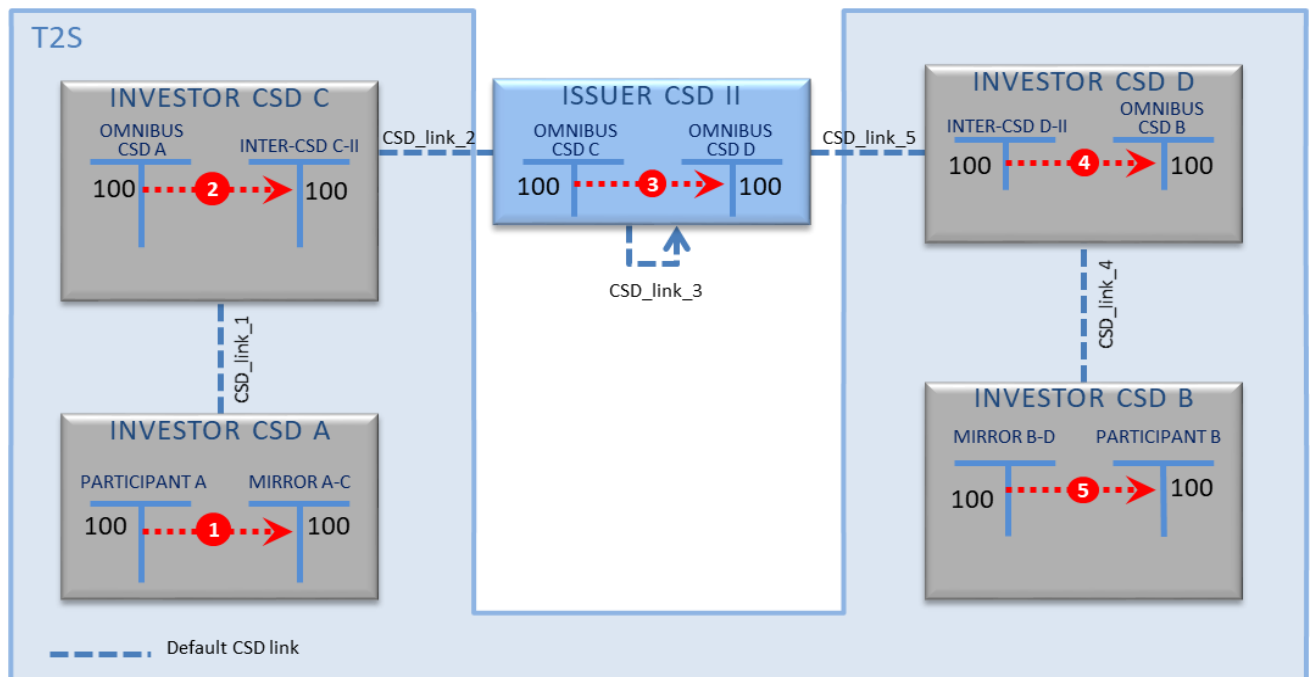
EXAMPLE 3120 B - CONFIGURATION OF ACCOUNTS FOR REALIGNMENT WITH A SINGLE OMNIBUS ACCOUNT AT THE TECHNICAL ISSUER CSD OUTSIDE T2S (EXTERNAL) - TABLE AND DIAGRAM

CSD ACCOUNT LINK ID	INVESTOR CSD PARTY	TECHNICAL ISSUER CSD PARTY	CSD PARTICIPANT SECURITIES ACCOUNT	OMNIBUS ACCOUNT (IN THE TECHNICAL ISSUER CSD BOOKS)	MIRROR ACCOUNT (IN THE INVESTOR CSD BOOKS)	Security CSD Link
CSD A/C LINK 1	CSD A	CSD C		Omnibus CSD A	Mirror A-C	Default
CSD A/C LINK 2	CSD C	CSD II		Omnibus CSD C	Inter CSD C-II	Default
CSD A/C LINK 3	CSD C	CSD B		Omnibus CSD C	Mirror C-B	Alternative
CSD A/C LINK 4	CSD D	CSD II		Omnibus CSD D	Inter CSD D-II	Default
CSD A/C LINK 5	CSD B	CSD D		Omnibus CSD B	Mirror B-D	Default

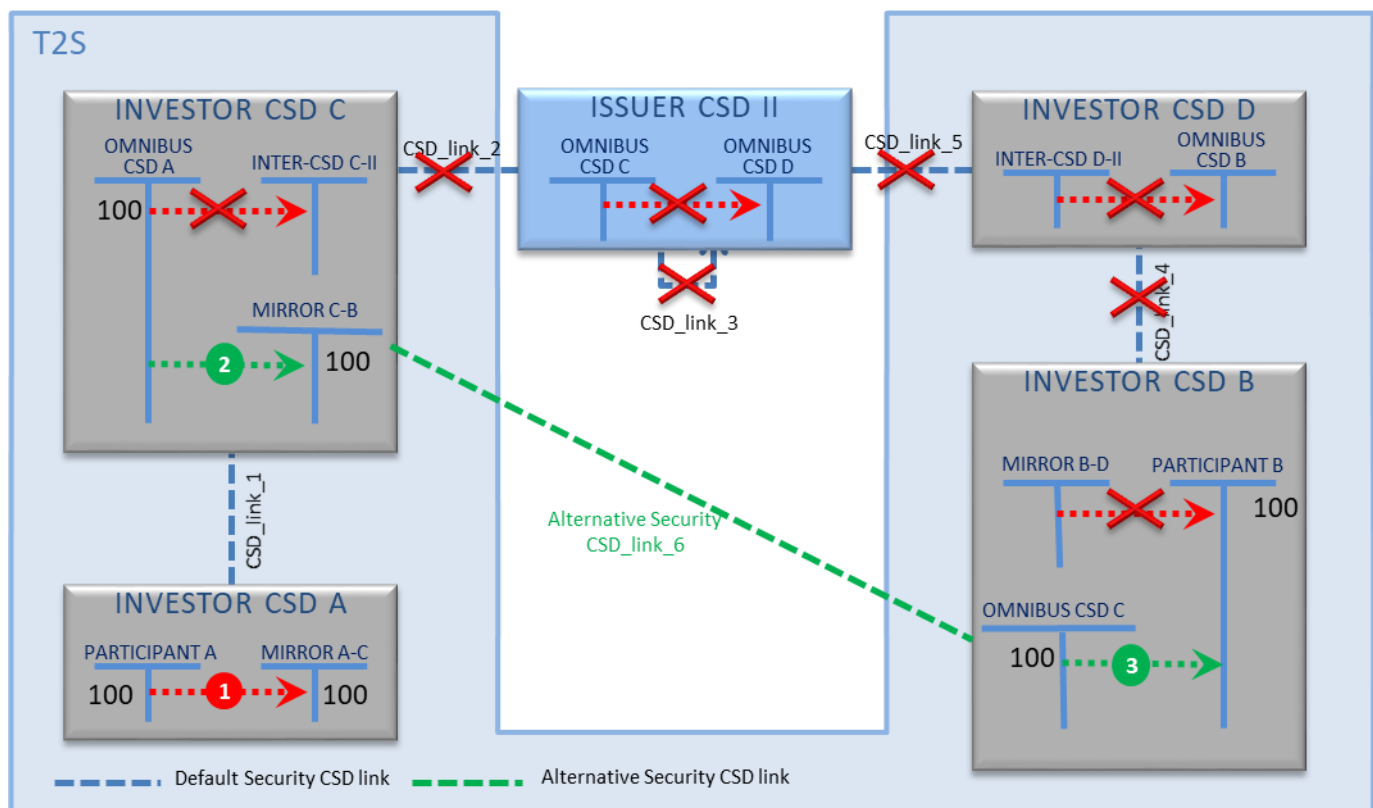
For a delivery of 100 securities from Participant A in CSD A to participant B in CSD B and based on this securities accounts configuration, the two following diagrams illustrate the settlement movements that the realignment application process can derive if an “alternative” link is used (as a priority in the first diagram) or if only “default” Security CSD Links are used (second diagram).

DIAGRAM 5105 B - REALIGNMENT WITH SINGLE OMNIBUS ACCOUNT AT THE EXTERNAL ISSUER CSD (USING EITHER DEFAULT OR ALTERNATIVE LINK)

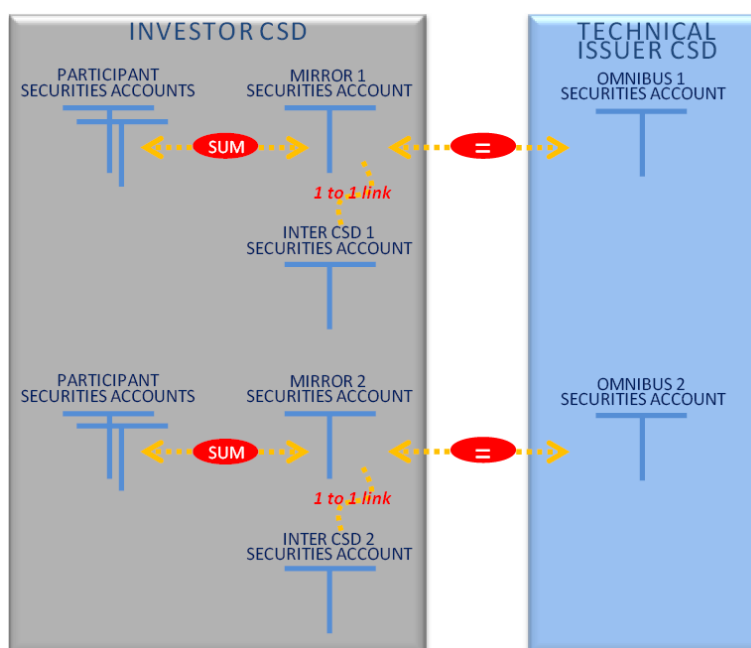
First diagram (only "Default" Security CSD Links are used):



Second diagram (Both "Default" and "alternative" Security CSD Links are used):



The following diagram illustrates the organisation of securities accounts resulting from the use of multiple omnibus securities accounts at the technical issuer CSD.

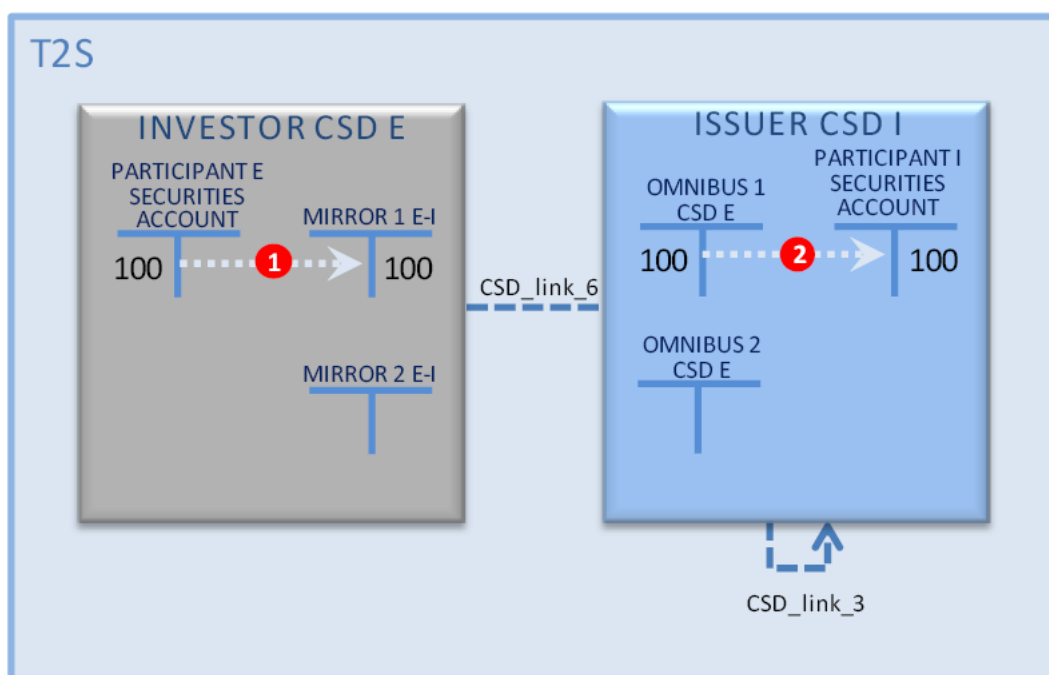
DIAGRAM 6-106 - ORGANISATION OF ACCOUNTS WITH SEVERAL OMNIBUS ACCOUNTS AT THE TECHNICAL ISSUER CSD

The capacity to use several omnibus accounts implies the configuration of the securities account required for the realignment process for each possible triplet {Investor CSD, Technical Issuer CSD, Participant account}.

The following example illustrates the securities accounts that have to be configured by the CSD, in order for T2S to derive the Settlement Instructions necessary for the realignment when an investor CSD has several omnibus accounts at the technical issuer CSD. When no participant account is set up, the corresponding omnibus account is the default omnibus account.

EXAMPLE 4-121 - CONFIGURATION OF ACCOUNTS FOR REALIGNMENT WITH SEVERAL OMNIBUS ACCOUNTS - TABLE AND DIAGRAM

CSD AC- COUNT LINK ID	INVESTOR CSD PARTY	TECHNICAL ISSUER CSD PARTY	CSD PARTICI- PANT SECURI- TIES ACCOUNT	OMNIBUS AC- COUNT (IN THE TECH- NICAL ISSUER CSD BOOKS)	MIRROR AC- COUNT (IN THE INVES- TOR CSD BOOKS)	INTER CSD AC- COUNT (IN THE INVES- TOR CSD BOOKS)
CSD A/C LINK 6	CSD E	CSD I	Participant E sec. A/C	Omnibus 1 CSD E	Mirror 1 E-I	
CSD A/C LINK 7	CSD E	CSD I		Omnibus 2 CSD E	Mirror 2 E-I	

DIAGRAM 7.107 - REALIGNMENT WITH SEVERAL OMNIBUS ACCOUNTS AT THE TECHNICAL ISSUER CSD

External-CSD as T2S Party

In case an external-CSD is involved in the set-up of links above, it has to be configured in the reference data by the CSD in T2S that accepts such an external-CSD as counterpart in an external-CSD settlement scenario. For this aim, the CSD in T2S creates this external-CSD as a T2S Party having a party type set to "External CSD" and a Parent BIC equal to the BIC of the CSD which creates it. (See section [Setup of parties in T2S](#) [▶ **Error! Bookmark not defined.**36]). For convenience this CSD in T2S is called hereunder as the Parent CSD of an external CSD.

An "external-CSD" T2S Party is then considered as a CSD participant of the CSD in T2S. If an external-CSD has several Parent CSDs in T2S, an "external-CSD" T2S Party is created by each Parent CSD in T2S.

The identifier of this T2S Party created for the external-CSD is then used for the configuration of the parameters above.

Realignment generic process

Starting from the two matched Settlement Instructions which include the counterparts, their CSDs, the security and the securities accounts, the realignment process performs its analysis according to two steps:

- I Building either the two realignment chains, starting from both investor CSDs, ending at the issuer CSD(s) of the security, or only the delivering chain from the delivering investor CSD up to the counterpart CSD (if the presence of an alternative link in the reference data allows to) or if no alternative link was found on the delivering chain, the receiving chain from the receiving investor CSD up to the counterpart delivering CSD (if the presence of an alternative link in the reference data allows to). This step is performed by reading the reference data, storing the role of all the CSDs (investor, issuer, technical issuer), their participation in T2S (in or external), their links to other CSDs (either default or alternative);

- Generating all the T2S generated realignment Settlement Instructions, using the securities accounts (mirror, omnibus and inter CSD) stored in the reference data, and linking them to the underlying matched Settlement Instructions.

Building the realignment chain from the delivering investor CSD to the issuer CSD of the security (Default links)

The realignment process identifies the investor CSD of the T2S Actor delivering the securities, allowing the identification within the reference data of its technical issuer CSD for the specific security. The analysis is performed based on default links, to identify all CSDs involved in the realignment chain and stops when:

- The technical issuer CSD is its own technical issuer CSD (i.e. it is the issuer CSD), or;
- The technical issuer CSD is not participating to T2S (i.e. with the External CSD party type).

In the latter case, the analysis has to be resumed from the delivering investor CSD to check whether any alternative link pointing to the counterpart investor CSD (the one of the T2S Actor receiving the securities) exists. Only alternative link pointing to the counterpart investor CSD must be considered.

Building the realignment chain from the receiving investor CSD to the issuer CSD of the security (Default links)

The realignment process then performs the same analysis as for the delivering realignment chain starting from the investor CSD of the T2S party receiving the securities up to the issuer CSD, using default links as well.

In case either the issuer CSD reached from the receiving investor CSD is not the same as the one found during the previous analysis from the delivering investor CSD (double-issuance scenario), or an external CSD is encountered, then the analysis has to be resumed from the receiving investor CSD to check the existence of an alternative link pointing to the counterpart CSD (investor CSD of the T2S Actor delivering the securities). Only alternative link pointing to the counterpart investor CSD must be considered.

Building the realignment chain from the delivering investor CSD to the counterpart CSD (Alternative link)

In case it has been detected at the first step that one of the CSDs involved in the delivering realignment chain is outside T2S and in presence of an alternative link, then the chain should be rebuilt from the delivering investor CSD considering this time the alternative link as a preference over default links. The analysis is then carried out up to the counterpart CSD (Investor CSD of the Party receiving the securities) if an alternative link can be found at a given step of the chain, pointing to the counterpart CSD.

Building the realignment chain from the receiving investor CSD to the counterpart CSD (Alternative links)

This step is not required if an alternative link was detected during the delivering chain analysis.

In case it has been detected, based on the default links analysis, that either one of the CSDs involved is outside T2S, or two issuer CSDs were reached by the delivering and receiving chains (double-issuance scenario) and no alternative link was found in the delivering chain, then the chain should be rebuilt from the receiving investor CSD considering this time alternative link with the counterpart CSD as

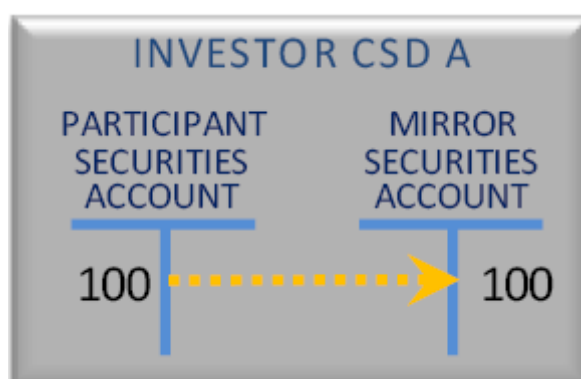
a preference over default links. The analysis is then carried out up to the counterpart CSD (Investor CSD of the Party delivering the securities).

Generating the realignment Settlement Instructions

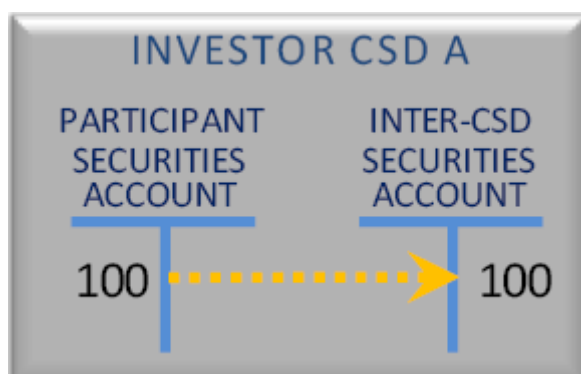
The realignment application process generates the T2S generated realignment Settlement Instructions starting from both (delivering and receiving) investor and for each step identified in the realignment chains. The T2S generated realignment instructions debit and credit the deliverable securities positions. If the impacted account has no deliverable securities position due to earmarking at account level, T2S debits or credits the earmarked securities position.

At each step, depending on whether the technical issuer CSD is in or outside T2S:

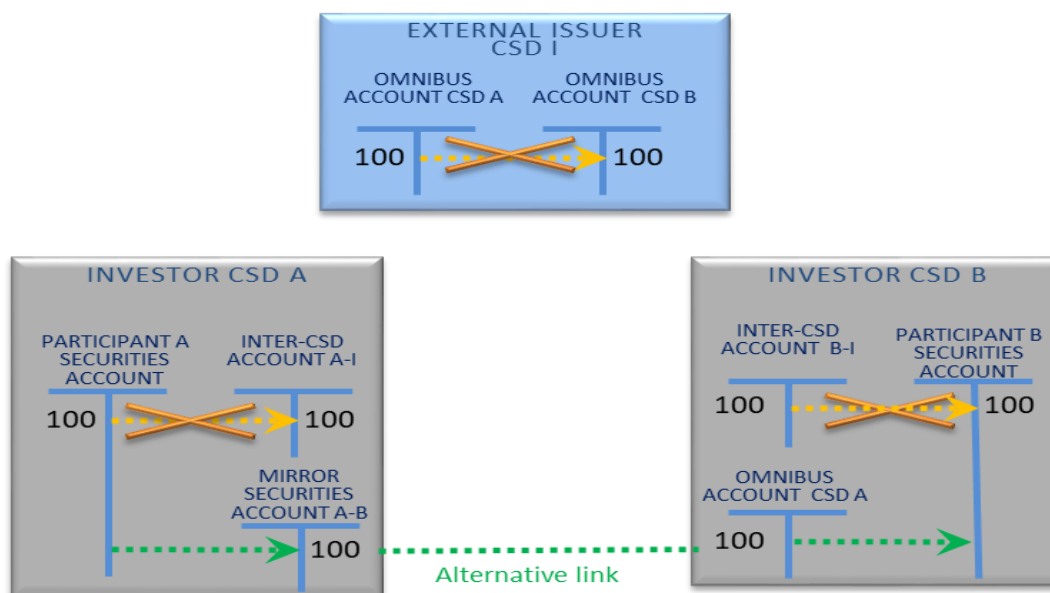
- If the technical issuer CSD is in T2S, a T2S generated realignment Settlement Instruction is created affecting the mirror account of the technical issuer CSD in the investor CSD against the T2S Party account:



- If the technical issuer CSD is outside of T2S, a T2S generated realignment Settlement Instruction is created affecting the inter-CSD account of the technical issuer CSD in the investor CSD against the T2S Party account:



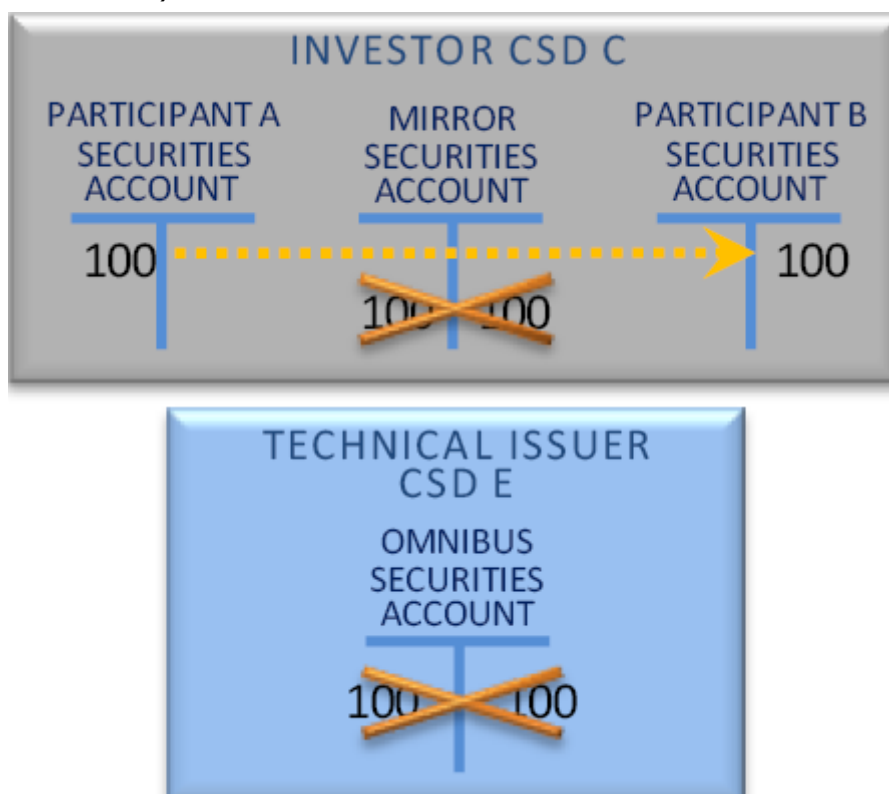
NB: In the scenario of External CSD, the inter-CSD account of the technical issuer CSD in the investor CSD is not affected if the realignment chain uses an alternative security CSD link set up between the investor CSD and the investor CSD of the counterparty in the business settlement instructions. In that case, the created T2S generated realignment Settlement Instruction affects the mirror account of the technical issuer CSD (defined via the alternative security CSD link) in the investor CSD against the T2S Party account (see the diagram below):



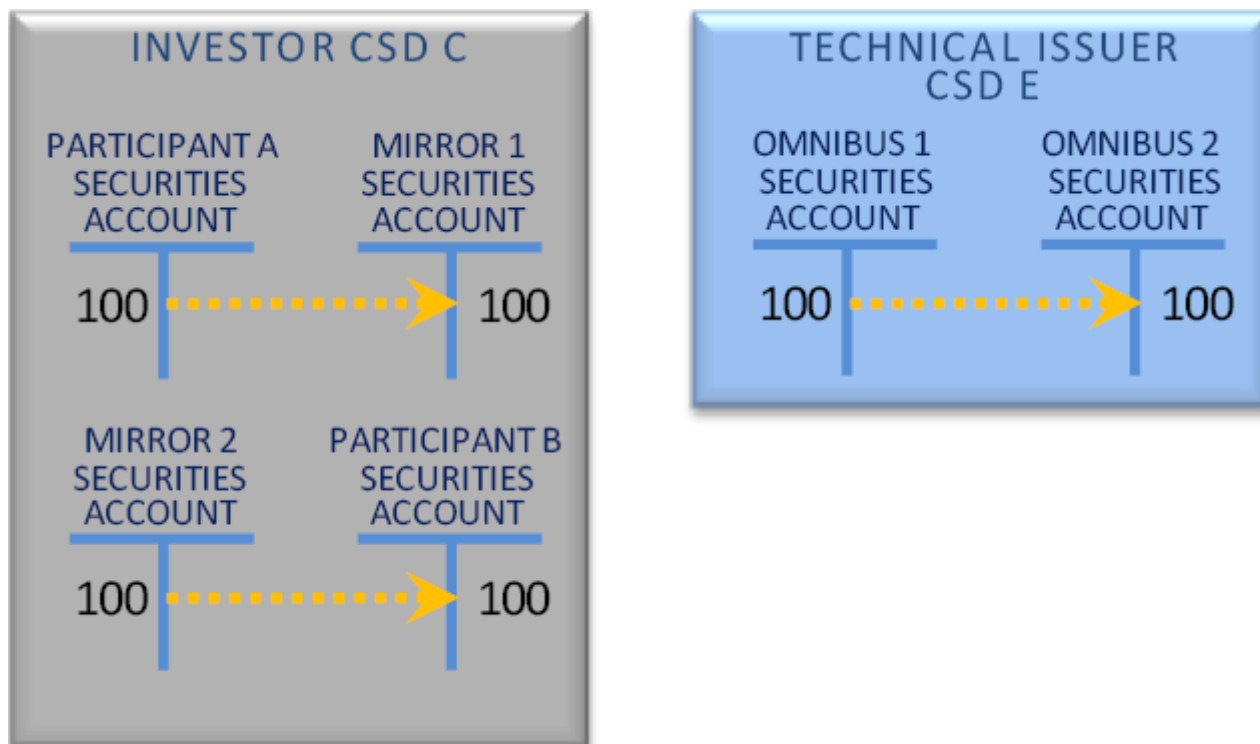
The realignment application process iterates the same process at the level of the technical issuer CSD and, when required, creates at that level two T2S generated realignment Settlement Instructions between the omnibus account of the previous investor CSD and either the mirror or the inter-CSD account of the following technical issuer CSD.

When a common CSD that is different from the issuer CSD is detected in both chains, a complementary analysis is required:

- If that CSD is using the same omnibus account for both of its T2S Parties (or investor CSD), one T2S generated realignment Settlement Instruction affecting the two T2S Parties accounts (or omnibus accounts of CSD) are created:



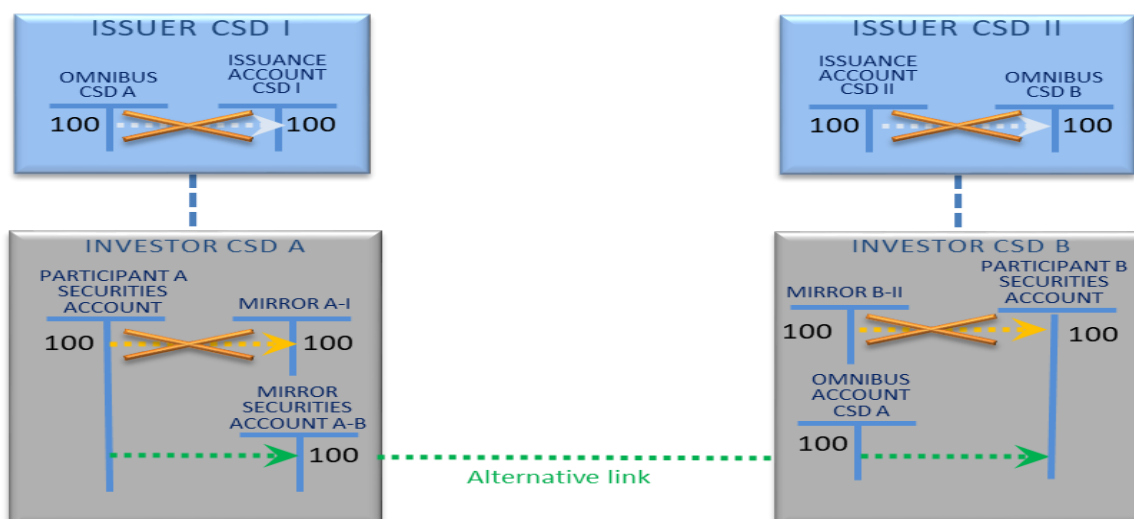
- I Otherwise, the realignment application process creates the T2S generated realignment Settlement Instruction between the T2S Parties accounts (or omnibus account of CSDs) and either the mirror or the inter-CSD account of the following technical issuer CSD. In addition, the realignment application process creates the T2S generated realignment Settlement Instruction between the omnibus accounts of the current investor CSD in the following technical issuer CSD:



In some particular cases listed below, the realignment instructions created at the level of each issuer CSD are affecting its main issuance account in T2S, instead of a mirror or an inter-CSD account:

- In the particular case of multi-issued securities where two issuer CSDs are in T2S are affected, the instructions created at the level of these CSDs are affecting their main issuance accounts, instead of a mirror or an inter-CSD account:
- In the case where one issuer CSD is in T2S and at least one investor CSD is external to T2S whether or not this investor CSD is also the issuer CSD of the security.

These main issuance accounts are not affected if an alternative link pointing the counterpart CSD is detected in the delivering or receiving chain. In this case, the created T2S generated realignment Settlement Instruction affects the omnibus account of the investor CSD in the counterpart CSD against the counterpart T2S Party account:



Validity of T2S generated realignment Settlement Instructions

Once generated, the T2S realignment Settlement Instructions, are subject to other T2S processes as any other Settlement Instruction ¹. Furthermore in order to ensure the consistency of the realignment process, the following principles are implemented:

- I Validation: T2S does not create T2S generated realignment Settlement Instruction if at least one of them does not successfully pass the business validations. In case the realignment application process fails to create the whole set of requested T2S generated realignment Settlement Instructions, the process does not generate any T2S generated realignment Settlement Instructions and cancels the original business Settlement Instructions.
- I Revalidation: T2S revalidates the generated realignment Settlement Instructions when they are recycled or impacted by a reference data update and hence, may cancel them (See section [Revalidation process](#) [▶ [Error! Bookmark not defined.336](#)]). When T2S cancels a realignment Settlement Instruction, T2S cancels the whole set of generated Settlement Instructions and their underlying business Settlement Instructions.
- I Intraday Restriction: T2S does not attempt settlement of generated realignment Settlement Instructions which are subject to Intraday Restriction (See section [Eligibility check process](#) [▶ [Error! Bookmark not defined.377](#)]). As the T2S generated Settlement Instructions and the Business Settlement Instructions settle on all or none basis, the related Business Settlement Instructions are also not submitted to settlement.
- I Cancellation and amendment: Once generated, the T2S generated realignment Settlement Instructions, cannot be cancelled by any of the involved T2S Actors. The only possible amendment is for the release of realignment instructions which are under CoSD hold or under CSD validation hold ². The T2S generated realignment Settlement Instructions are cancelled by T2S if a T2S Actor cancels their underlying business Settlement Instructions.

¹ The Party Hold based on "hold" flag in reference data only applies to instructions received from T2S Actor, and therefore does not apply to T2S generated settlement instructions (for realignment, collateral...).

² When on CSD validation hold by T2S; T2S communicates the positive restriction type case 1 rule that triggered such CSD validation hold. Restriction types may also be defined with a negative parameter in which case T2S communicates the negative restriction type case 1 rule preventing the instruction from being on CSD validation hold. When triggered, these rules are provided within the T2S generated realignment Settlement Instructions

Examples of a realignment process

EXAMPLE 5.122 - CROSS-CSD SETTLEMENT ILLUSTRATION

Participant A is selling securities (ISIN X) to Participant B. Both send the following Settlement Instructions matched by T2S:

OPE. ID	IN-STRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

Chain identification

T2S retrieves from the reference data all CSD links configured for ISIN X, starting from each investor CSD, ending either at the issuer CSD of ISIN X (i.e. the investor CSD is the same as the technical issuer CSD) or at the counterpart investor CSD in the business instructions, in the case where an alternative link is used.

If the chain built from the delivering investor CSD or the one from the receiving investor CSD (based on default links) reaches an external CSD or two different issuer CSDs (multi-issuance scenario), then T2S checks whether it could be possible to build a chain relying on alternative links, specifically the ones pointing to the counterpart investor CSD in the business settlement instructions. If so, the preference must be given to the latter.

Chain identification based on default security CSD links

From the delivering investor CSD, T2S retrieves the following “default” security CSD links:

SECURITY CSD LINK					
SECURITY CSD LINK IDENTIFIER	SECURITIES IDENTIFIER	LINK TYPE	ISSUER/INVESTOR PARTY IDENTIFIER	TECHNICAL ISSUER PARTY IDENTIFIER	DEFAULT LINK
CSD_link_1	ISIN X	NVST	CSD A	CSD C	TRUE
CSD_link_2	ISIN X	NVST	CSD C	CSD I	TRUE
CSD_link_3	ISIN X	ISSR	CSD I		TRUE

From the receiving investor CSD, T2S retrieves the following “default” security CSD links:

SECURITY CSD LINK					
SECURITY CSD LINK IDENTIFIER	SECURITIES IDENTIFIER	LINK TYPE	ISSUER/INVESTOR PARTY IDENTIFIER	TECHNICAL ISSUER PARTY IDENTIFIER	DEFAULT LINK
CSD_link_4	ISIN X	NVST	CSD B	CSD D	TRUE
CSD_link_5	ISIN X	NVST	CSD D	CSD I	TRUE
CSD_link_3	ISIN X	ISSR	CSD I		TRUE

Both chains end at CSD I, the IN-T2S issuer CSD of ISIN X.

Under such a simple configuration (all issuer/technical issuer CSDs in T2S, no multi-issuance) T2S builds the realignment chains checking only the "default" links.

Chain identification based on "Alternative" security CSD links in presence of an External CSD

From the delivering investor CSD, T2S retrieves three "default" security CSD links and one "alternative" security CSD link pointing to the counterpart receiving CSD B.

SECURITY CSD LINK					
SECURITY CSD LINK IDENTIFIER	SECURITIES IDENTIFIER	LINK TYPE	ISSUER/INVESTOR PARTY IDENTIFIER	TECHNICAL ISSUER PARTY IDENTIFIER	DEFAULT LINK
CSD Link 1	ISIN X	NVST	CSD A	CSD C	TRUE
CSD Link 2	ISIN X	NVST	CSD C	External CSD I	TRUE
CSD Link 3	ISIN X	ISSR	External CSD I		TRUE
CSD Link 4	ISIN X	NSVT	CSD C	CSD B	FALSE

From the receiving investor CSD, T2S retrieves the following "default" security CSD links:

SECURITY CSD LINK					
SECURITY CSD LINK IDENTIFIER	SECURITIES IDENTIFIER	LINK TYPE	ISSUER/INVESTOR PARTY IDENTIFIER	TECHNICAL ISSUER PARTY IDENTIFIER	DEFAULT LINK
CSD Link 5	ISIN X	NSVT	CSD B	CSD D	TRUE
CSD Link 6	ISIN X	NSVT	CSD D	External CSD I	TRUE
CSD Link 7	ISIN X	ISSR	External CSD I		TRUE

Via the default links, both chains end at CSD I, the External issuer CSD of ISIN X.

Under such a complex configuration, T2S must give the preference to the alternative link (CSD Link 4) while building the delivering chain, to avoid the complex process settling via External Issuer CSD.

Chain identification based on "Alternative" security CSD links in case of double-issuance

From the delivering investor CSD, T2S retrieves the following “default” security CSD links:

SECURITY CSD LINK					
SECURITY CSD LINK IDENTIFIER	SECURITIES IDENTIFIER	LINK TYPE	ISSUER/INVESTOR PARTY IDENTIFIER	TECHNICAL ISSUER PARTY IDENTIFIER	DEFAULT LINK
CSD Link 1	ISIN X	NVST	CSD A	CSD C	TRUE
CSD Link 2	ISIN X	NVST	CSD C	CSD I	TRUE
CSD Link 3	ISIN X	ISSR	CSD I		TRUE

From the receiving investor CSD, T2S retrieves three “default” security CSD links and one “alternative” security CSD link pointing to the counterpart delivering CSD A:

SECURITY CSD LINK					
SECURITY CSD LINK IDENTIFIER	SECURITIES IDENTIFIER	LINK TYPE	ISSUER/INVESTOR PARTY IDENTIFIER	TECHNICAL ISSUER PARTY IDENTIFIER	DEFAULT LINK
CSD Link 4	ISIN X	NSVT	CSD B	CSD D	TRUE
CSD Link 5	ISIN X	NSVT	CSD D	CSD J	TRUE
CSD Link 6	ISIN X	ISSR	CSD J		TRUE
CSD Link 7	ISIN X	NSVT	CSD D	CSD A	FALSE

The delivering chain ends at the issuer CSD I whereas the receiving chain ends at another issuer CSD J. Both CSD I and CSD J are multi-issuers for ISIN X.

Under such a complex configuration, T2S must give the preference to the alternative link (CSD Link 7) while building the receiving chain, to avoid the complex process settling via multi-issuer CSD.

Accounts identification

T2S then identifies from the reference data, the securities accounts to deliver and to receive for the realignment application process, starting from the securities account of each participant delivering or receiving the securities.

Starting from the participant account delivering the securities (Part A S/A), T2S retrieves the accounts configured for the triplet {Investor CSD A, its technical issuer CSD C, and the CSD Participant account part A S/A}.

T2S continues recursively by replacing in the searched triplet the investor CSD by its technical issuer CSD (CSD C) and the participant account by the previously found omnibus account. (Omnibus CSD A):

T2S then processes the same way starting from the participant account receiving the securities (Part B S/A).

The processing stops when either the technical issuer CSD is equal to the issuer CSD identified during the chain identification or one of the receiving or delivering investor CSD in the business instructions is reached via an alternative link.

Accounts setup under simple configuration (All CSDs in T2S, with a single issuer)

In this configuration, the accounts identification stops at the issuer CSD.

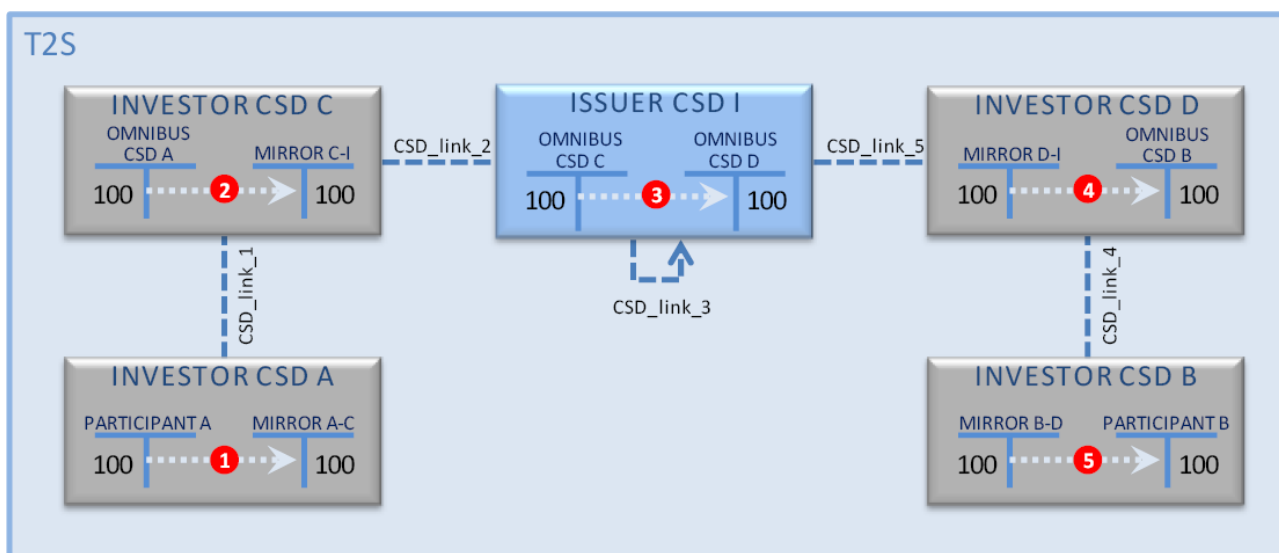
The table below describes the accounts configuration used for the delivering chain:

CSD ACCOUNT LINK IDENTIFIER	INVESTOR CSD PARTY IDENTI- FIER	TECHNICAL IS- SUER CSD PARTY	CSD PARTICI- PANT SECURI- TIES ACCOUNT	INVESTOR CSD MIRROR AC- COUNT SECURI- TIES ACCOUNT	OMNIBUS AC- COUNT SECURI- TIES ACCOUNT	INVESTOR CSD INTER CSD SECURITIES ACCOUNT
CSD_acc_link_1	CSD A	CSD C	Part A S/A	Mirror A-C	Omnibus CSD A	
CSD_acc_link_2	CSD C	CSD I	Omnibus CSD A	Mirror C-I	Omnibus CSD C	

The table below describes the accounts configuration used for the receiving chain:

CSD ACCOUNT LINK IDENTIFIER	INVESTOR CSD PARTY IDENTI- FIER	TECHNICAL IS- SUER CSD PARTY	CSD PARTICI- PANT SECURI- TIES ACCOUNT	INVESTOR CSD MIRROR AC- COUNT SECURI- TIES ACCOUNT	OMNIBUS AC- COUNT SECURI- TIES ACCOUNT	INVESTOR CSD INTER CSD SECURITIES ACCOUNT
CSD_acc_link_4	CSD B	CSD D	Part B S/A	Mirror B/D	Omnibus CSD B	
CSD_acc_link_5	CSD D	CSD I	Omnibus CSD B	Mirror D/I	Omnibus CSD D	

The following diagram shows the identified links and accounts from the reference data:



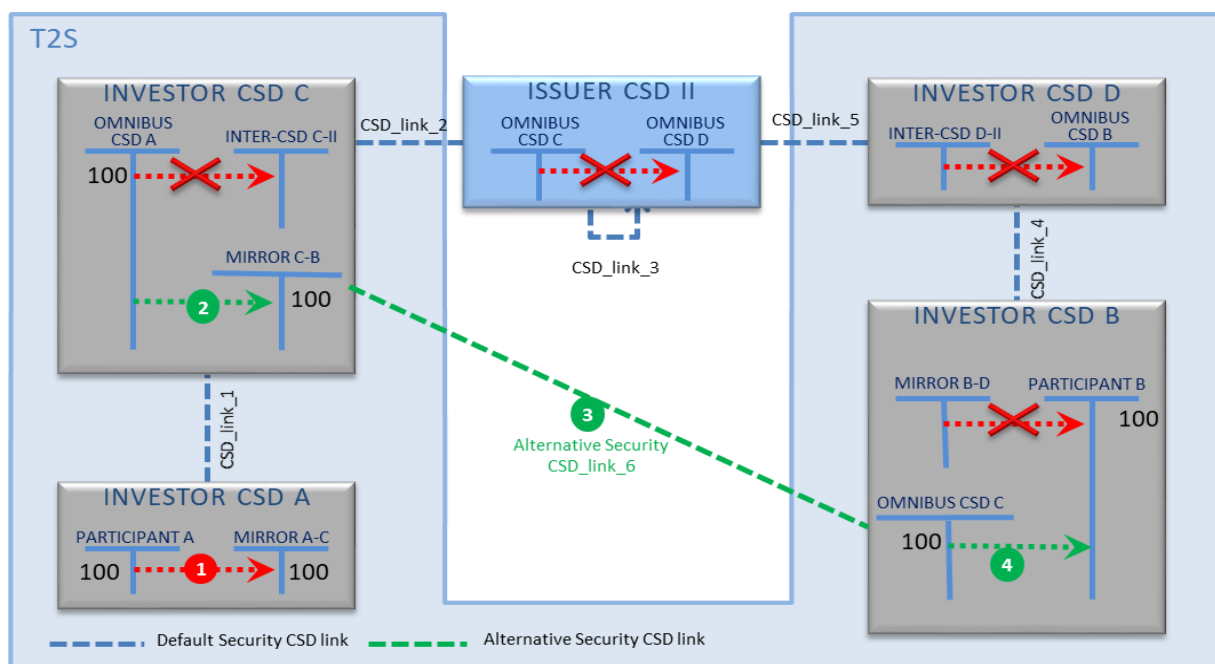
Accounts setup under complex configuration (External CSD)

In this configuration, the accounts identification stops either at the issuer CSD or at the counterpart CSD if an alternative security CSD link is set up, pointing to this counterpart CSD.

CSD ACCOUNT LINK IDENTIFIER	INVESTOR CSD PARTY IDENTIFIER	TECHNICAL ISSUER CSD PARTY	CSD PARTICIPANT SECURITIES ACCOUNT	INVESTOR CSD MIRROR ACCOUNT SECURITIES ACCOUNT	OMNIBUS ACCOUNT SECURITIES ACCOUNT	INVESTOR CSD INTER CSD SECURITIES ACCOUNT	Security CSD Link
CSD_acc_link_1	CSD A	CSD C	Part A S/A	Mirror A-C	Omnibus CSD A		CSD_Link_1 (Default)
CSD_acc_link_2	CSD C	CSD II	Omnibus CSD A	Mirror C/II		Inter-CSD C-II	CSD_Link_2 (Default)
CSD_acc_link_3	CSD C	CSD B	Omnibus CSD A	Mirror C/B	Omnibus CSD C		CSD_Link_6 (Alternative)

CSD ACCOUNT LINK IDENTIFIER	INVESTOR CSD PARTY IDENTIFIER	TECHNICAL ISSUER CSD PARTY	CSD PARTICIPANT SECURITIES ACCOUNT	INVESTOR CSD MIRROR ACCOUNT SECURITIES ACCOUNT	OMNIBUS ACCOUNT SECURITIES ACCOUNT	INVESTOR CSD INTER CSD SECURITIES ACCOUNT	Security CSD Link
CSD_acc_link_4	CSD B	CSD D	Part B S/A	Mirror B/D	Omnibus CSD B		CSD_Link_4 (Default)
CSD_acc_link_5	CSD D	CSD II	Omnibus CSD B	Mirror D/II		Inter-CSD D-II	CSD_Link_5 (Default)

The following diagram shows the identified links and accounts from the reference data:



In this scenario, starting the realignment chain analysis from the Receiving Investor CSD (CSD B) would consider the “default” Security CSD Links 4 and 5 to reach the Issuer CSD II.

Performing the same analysis from the Delivering Investor CSD (CSD A) would allow considering the “default” Security CSD Link 1 and then the “alternative” Security CSD Link 6 that should be preferred to reach the Investor CSD B (Counterpart of CSD A in the business instructions).

Creation of T2S generated realignment instruction

Once all the securities account references are retrieved, T2S generates all the Settlement Instructions necessary to the realignment process, adding these movements between both omnibus accounts in the issuer CSD I.

The T2S generated realignment Settlement Instructions are created already matched between them and with the incoming business Settlement Instructions. The matching reference is the same as for the underlying business Settlement Instructions, which were previously matched for business purposes.

Due to this matching reference, the priority and partial settlement indicator of the business Settlement Instructions automatically apply to the T2S generated realignment Settlement Instructions during the settlement attempt. The Settlement Instructions that have to be generated for the realignment process associated to SIA|SIB can be summarised as follow.

On the basis of the incoming business matched (0) Settlement Instructions:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

If the realignment chain is built using only default security CSD links, eight T2S generated realignment Settlement Instructions are created as follows:

- One T2S generated realignment Settlement Instruction T2SgSI1 which credits the mirror account A-C in the investor CSD A and which is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC.MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-C		RECE	100			CSD A	Part A

- Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between omnibus securities account and mirror account in the investor/technical issuer CSD C:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as CSD C part.)	Omnibus CSD A	ISIN X	DELI	100	CSD C	CSD C		
T2SgSI3	CSD C	Mirror C-I		RECE	100			CSD C	CSD A

- Two created already matched (3) T2S generated realignment Settlement Instructions T2SgSI4 and T2SgSI5 between omnibus securities accounts in the issuer CSD I:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI4	CSD C (as CSD I part.)	Omnibus CSD C	ISIN X	DELI	100	CSD I	CSD D		
T2SgSI5	CSD D (as CSD I part.)	Omnibus CSD D		RECE	100			CSD I	CSD C

- Two created already matched (4) T2S generated realignment Settlement Instructions T2SgSI6 and T2SgSI78 between omnibus securities account and mirror account in the investor/technical issuer CSD D:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI6	CSD D	Mirror D-I	ISIN X	DELI	100	CSD D	CSD B		
T2SgSI7	CSD B (as CSD D part.)	Omnibus CSD B		RECE	100			CSD D	CSD D

- One T2S generated realignment Settlement Instruction T2SgSI8 which debits the mirror account B/D in the investor CSD B and is created already (5) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI8	CSD B	Mirror B-D	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

If the realignment chain is built using the alternative security CSD link, four T2S generated realignment Settlement Instructions are created as follows:

- One T2S generated realignment Settlement Instruction T2SgSI1 which credits the mirror account A-C in the investor CSD A and which is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC.MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-C		RECE	100			CSD A	Part A

- Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between omnibus securities account and mirror account in the investor/technical issuer CSD C:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as CSD C part.)	Omnibus CSD A	ISIN X	DELI	100	CSD C	CSD C		
T2SgSI3	CSD C	Mirror C-B		RECE	100			CSD C	CSD A

- One T2S generated realignment Settlement Instruction T2SgSI4 which debits the omnibus account CSD C in the investor CSD B, created already matched (3) with the business Settlement Instruction SIB crediting the participant B securities account:

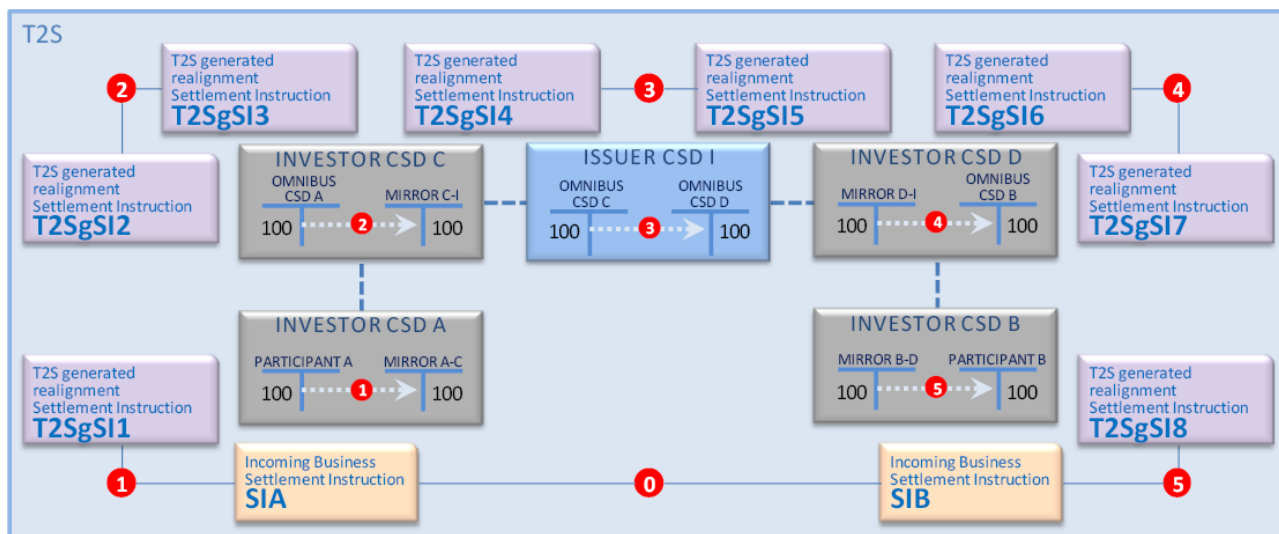
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI4	CSD B	Omnibus CSD C	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions.

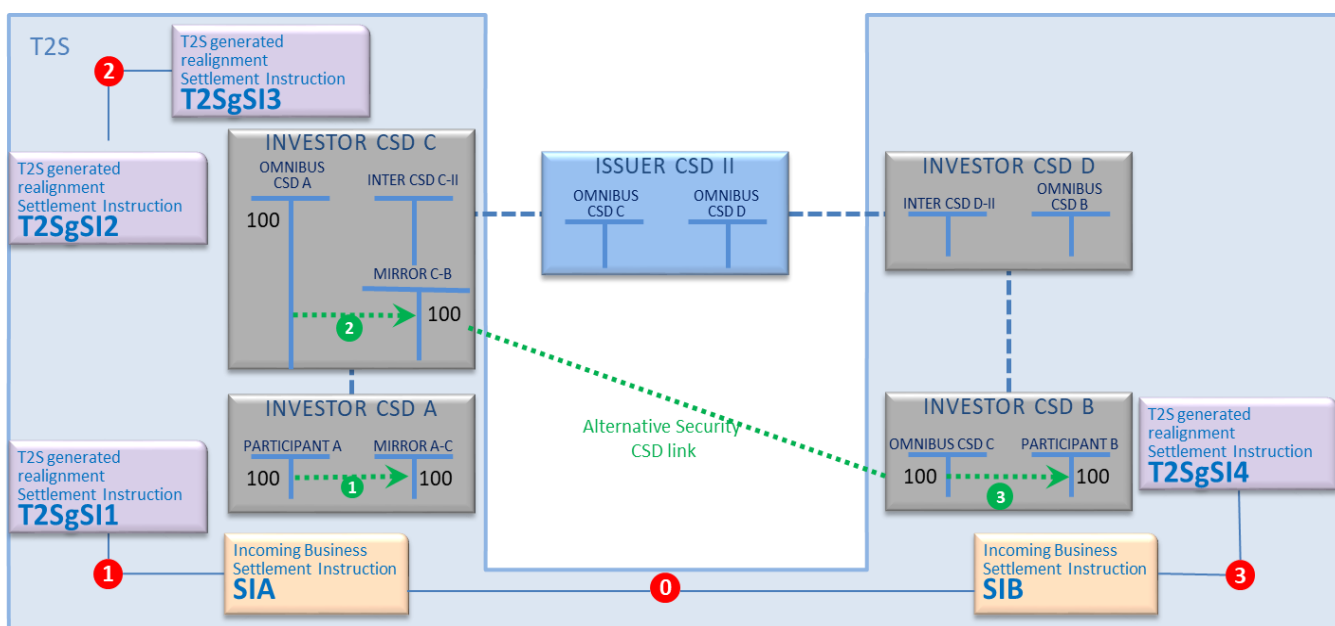
They are all submitted on an all-or-none basis in the posting process with the original business Settlement Instructions (0) that allow settling the cash leg (See section [Posting](#) [[Error! Bookmark not defined.375](#)] and section [Optimising](#) [[Error! Bookmark not defined.407](#)]).

The following diagrams illustrate the full set of T2S generated Settlement Instructions automatically created by T2S for the realignment.

EXAMPLE 6-23 A - ILLUSTRATION OF A FULL SET OF T2S GENERATED SETTLEMENT INSTRUCTIONS FOR REALIGNMENT
(WITH ONLY DEFAULT SECURITY CSD LINKS)



EXAMPLE 7-23 A - ILLUSTRATION OF A FULL SET OF T2S GENERATED SETTLEMENT INSTRUCTIONS FOR REALIGNMENT
(WITH ALTERNATIVE SECURITY CSD LINK)



Realignment scenarios for Settlement Instructions submitted to T2S

The generic realignment process described above applies similarly, with variation depending on the context for the CSDs involved with the Settlement Instructions that are submitted to T2S.

According to these contexts several scenarios are identified and can be classified as:

- | Intra-CSD settlement;
- | Cross-CSD settlement;
- | External-CSD settlement.

There are, for cross-CSD settlement and for external-CSD settlement, as many scenarios as there may be investor CSDs, technical issuer CSDs and issuer CSDs involved in the chain.

The sections hereunder only detail the most common scenarios, i.e. for a limited number of CSDs involved in the delivery chain. In addition, to simplify the reading, only the securities side of Settlement Instructions is described.

Whatever it is an intra-CSD, a cross-CSD or an external-CSD settlement, the cash side, if any, is always processed using the T2S Dedicated cash accounts indicated in the incoming business Settlement Instructions or set as default cash account in the reference data(See section [Posting](#) [[Error! Bookmark not defined.](#)375]).

Scenario intra-CSD settlement

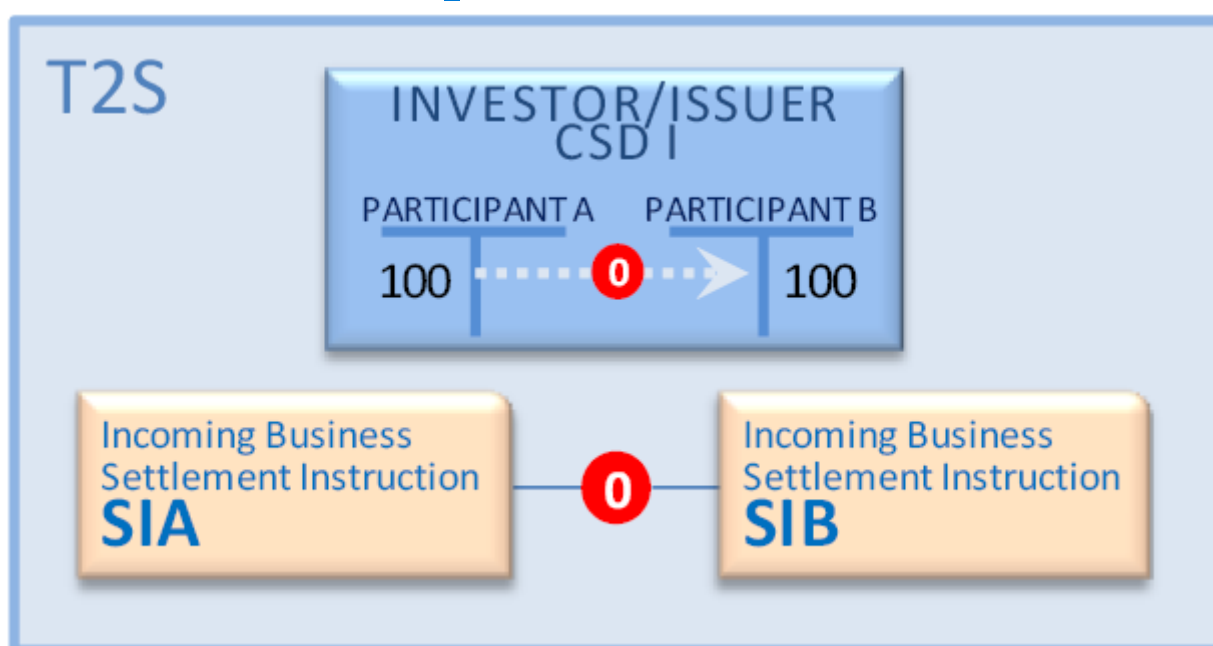
This scenario covers the intra-CSD settlement defined as settlement between two participants belonging to the same CSD I in T2S. In this case, the CSD cumulates the roles of:

- | Investor CSD of the two participants;
- | Issuer CSD of the security;
- | Its own Technical Issuer for the securities issued on its books.

For example, the following incoming business matched (0) Settlement Instructions are sent to T2S:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD I	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD I	Part A

Since both participants belong to the same CSD in T2S which is the issuer of the security, there is no realignment mechanism. Consequently, T2S does not create any T2S generated realignment Settlement Instruction.

DIAGRAM 8-108 - INTRA-CSD SETTLEMENT SCENARIOScenarios cross-CSD settlement

These scenarios cover the cross-CSD settlement defined as a settlement:

- | Between participants not belonging to the same CSD;
- | With all the CSDs involved in the chain (investor CSDs, technical issuer CSDs and issuer CSD), from the investor CSD of the delivering counterpart to the investor CSD of the receiving counterpart, being all in T2S.

In case of cross-CSD settlements, the realignment application process for identifying the links and generating the T2S realignment Settlement Instructions is identical to the generic process, i.e.:

- | Building the delivering and the receiving realignment chains on the basis of the incoming business Settlement Instructions sent to T2S using the links configured in the reference data by the involved CSDs;
- | Creating all T2S generated realignment Settlement Instructions on the basis of the securities accounts configured in the reference data by the involved CSDs.

There are as many scenarios as there may be investor CSDs, technical issuer CSDs and issuer CSDs involved in the chain, as long as they are all in T2S. The scenarios below only detail the most common ones:

SCENARIOS	CONTEXT	COMMENT
Cross 1	Two Investor CSDs and one Issuer CSD all in T2S	Cross-CSD
Cross 2	Two Investor CSDs and two Issuer CSDs all in T2S	
Cross 3	Two Investor CSDs, one common Technical issuer CSD, one Issuer CSD all in T2S	

EXAMPLE 8-124 - SCENARIO CROSS 1: TWO INVESTOR CSDs AND ONE ISSUER CSD ALL IN T2S

This example describes the settlement where participant A from investor CSD A is selling securities to participant B from investor CSD B. It implies:

- Two investor CSDs (A and B) in T2S in relationship with the issuer CSD as technical issuer;
- The issuer CSD (I) in T2S.

In such a scenario, T2S builds the realignment chains using only “default” security CSD links. “Alternative” links are used as a preference under a complex configuration of double-issuance or External-CSD settlement.

DIAGRAM 9-109 - ILLUSTRATION OF SCENARIO CROSS 1: TWO INVESTOR CSDs AND ONE ISSUER CSD ALL IN T2S



On the basis of the incoming business matched (0) Settlement Instructions:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

Four T2S generated realignment Settlement Instructions are created as follows:

- One T2S generated Settlement Instruction T2SgSI1 which credits the mirror account A-I in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-I		RECE	100			CSD A	Part A

- Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between omnibus securities accounts in the issuer CSD I:

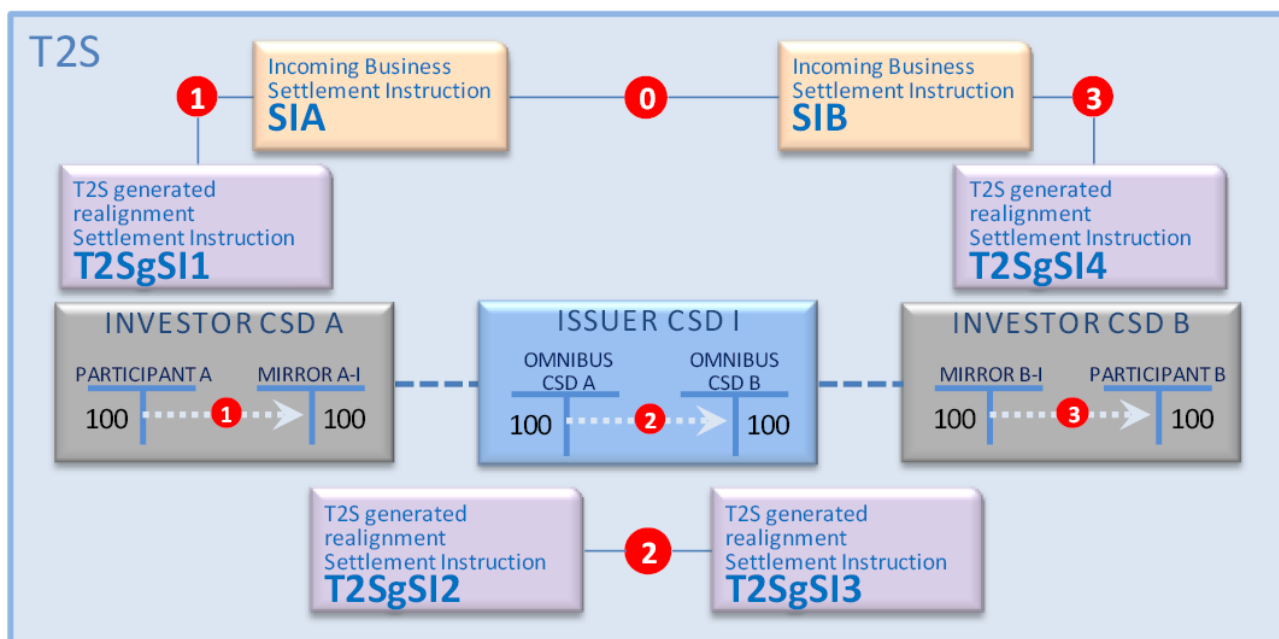
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as CSD I part.)	Omnibus CSD A	ISIN X	DELI	100	CSD I	CSD B		
T2SgSI3	CSD B (as CSD I part.)	Omnibus CSD B		RECE	100			CSD I	CSD A

- One T2S generated realignment Settlement Instructions T2SgSI4 which debits the mirror account B-I in the investor CSD B and is created already matched (3) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI4	CSD B	Mirror B-I	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting process with the business Settlement Instructions (0) that allow settling the cash leg.

DIAGRAM 10-110 - ILLUSTRATION OF SCENARIO CROSS 1: SECURITIES MOVEMENTS AND SETTLEMENT INSTRUCTIONS

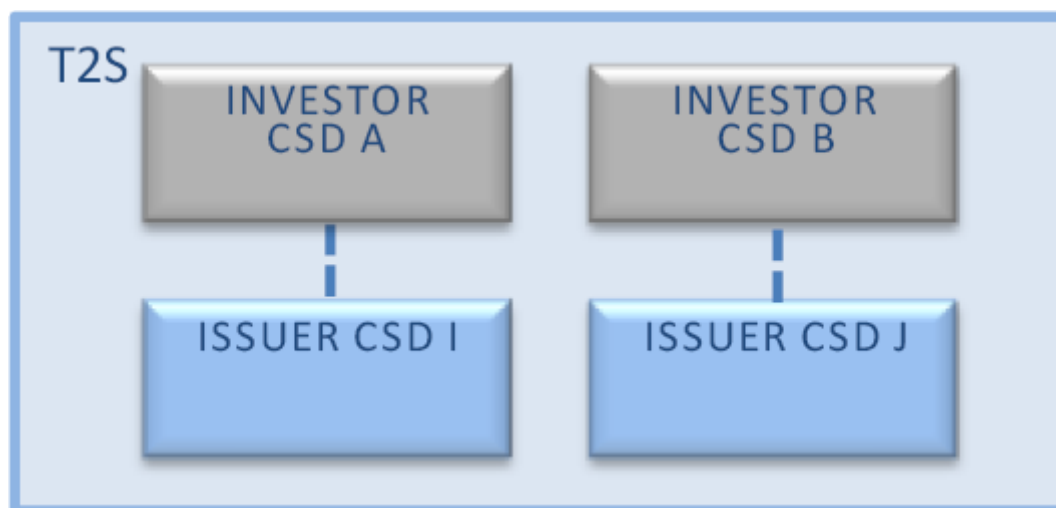


EXAMPLE 9125 - SCENARIO CROSS 2: TWO INVESTOR CSDs AND TWO ISSUER CSDs ALL IN T2S

This example describes the settlement where participant A from investor CSD A is selling securities to participant B from investor CSD B. It implies:

- I Two investor CSDs (A and B) in T2S in relationship with different issuer CSDs as technical issuer CSD;
- I Two issuer CSDs (I and J) in T2S.

DIAGRAM 11441 - ILLUSTRATION OF SCENARIO CROSS 2: TWO INVESTOR CSDs AND TWO ISSUER CSDs ALL IN T2S



The scenario is equivalent to scenario Cross 1 with additional T2S generated realignment Settlement Instructions to update the issuance accounts in each issuer CSD. The realignment process identifies the issuance account to be impacted based on the set up in the Security CSD link for the given security, the given issuer CSD and the link type "issuer" (see section. [Configuration of Securities CSD Links](#) [► [Error! Bookmark not defined.80](#)]), with the following possible outcomes in each issuer CSD:

- I No issuance account is set up: the realignment process cannot generate the realignment instructions and cancels the business instructions ³,
- I One issuance account is set up: the realignment process uses this account to generate the realignment instructions,
- I Several issuances accounts are set up: the realignment process identifies the issuance account to be impacted using the "primary issuance account flag".

The nature of the operation on each issuance securities accounts (mark-up or mark-down) depends on the direction of the transfer (received or delivery).

The realignment chain calculation also depends on whether "alternative" security CSD links are set up in the reference data in addition of the "default" ones.

On the basis of the incoming business matched (0) Settlement Instructions:

³ This check is ignored in case of PFOD

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

Under this multi-issuance scenario, the realignment process should give the preference to one of the “alternative” security CSD links, more specifically the one pointing to the counterpart CSD in the business instructions, in case it is set up in the reference data. Otherwise, the default links should be checked.

Based on “default” security CSD links set up in the reference data, six T2S generated realignment Settlement Instructions are created as follows:

- One T2S generated realignment Settlement Instructions T2SgSI1 which credits the mirror account A-I in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-I		RECE	100			CSD A	Part A

- Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between securities accounts in the issuer CSD I:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as CSD I part.)	Omnibus CSD A	ISIN X	DELI	100	CSD I	CSD I		
T2SgSI3	CSD I	Issuance CSD I		RECE	100			CSD I	CSD A

- Two created already matched (3) T2S generated realignment Settlement Instructions T2SgSI4 and T2SgSI5 between securities accounts in the issuer CSD J:

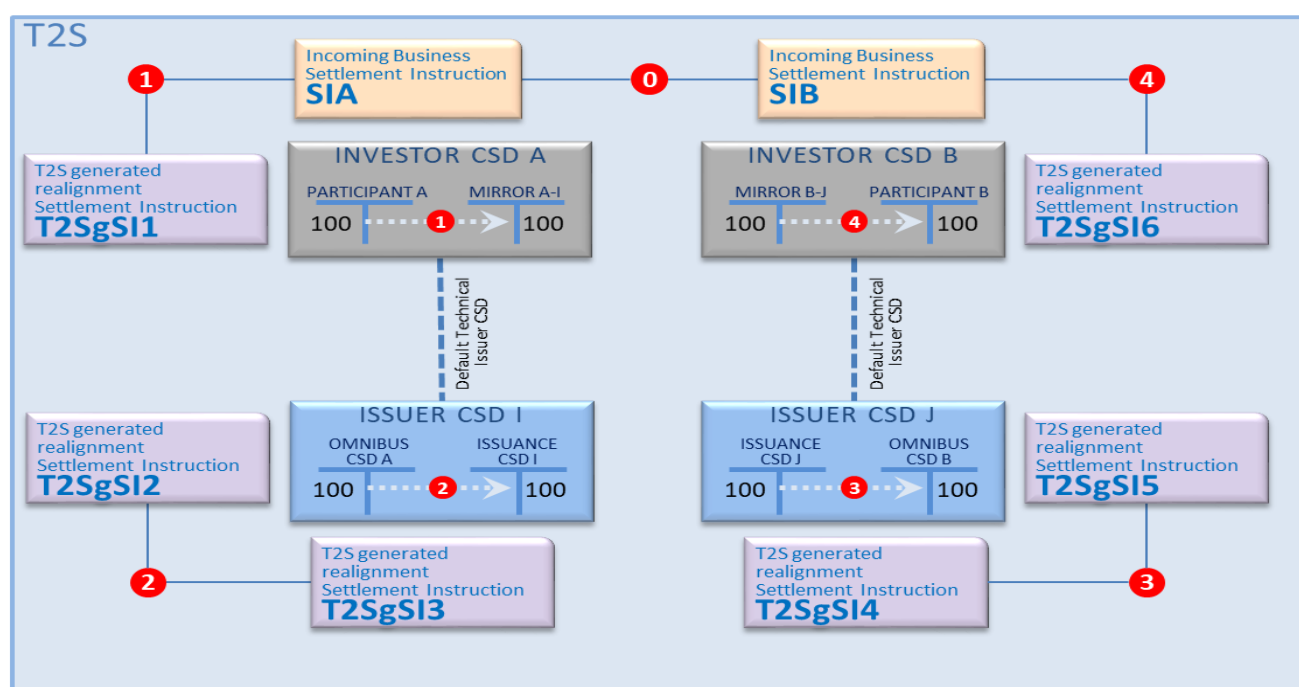
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI4	CSD J	Issuance CSD J	ISIN X	DELI	100	CSD J	CSD B		
T2SgSI5	CSD B (as CSD J part.)	Omnibus CSD B		RECE	100			CSD J	CSD J

- One T2S generated realignment Settlement Instructions T2SgSI6 which debits the mirror account B-J in the investor CSD B and is created already matched (4) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI6	CSD B	Mirror B-J	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting process with the original business instructions (0) that allow settling the cash leg.

DIAGRAM 12442 - ILLUSTRATION OF SCENARIO CROSS 2: SECURITIES MOVEMENTS AND SETTLEMENT INSTRUCTIONS
(BASED ON "DEFAULT" SECURITY CSD LINKS)



Based on “alternative” security CSD link set up in the reference data between the investor CSD A and the investor CSD B (playing the role of technical issuer CSD for the investor CSD A), two T2S generated realignment Settlement Instructions are created as follows:

- One T2S generated realignment Settlement Instructions T2SgSI1 which credits the mirror account A-I in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

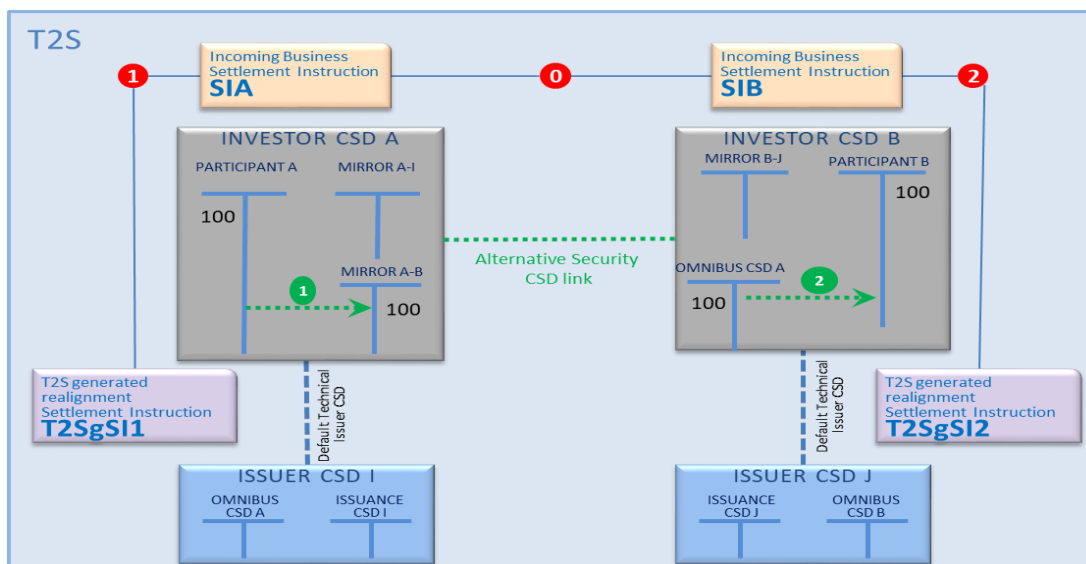
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-B		RECE	100			CSD A	Part A

- One T2S generated realignment Settlement Instructions T2SgSI2 which debits the omnibus account CSD A in the technical issuer CSD B (via “alternative” link) and is created already matched (2) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD B	Omnibus account CSD A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting process with the original business instructions (0) that allow settling the cash leg.

DIAGRAM 13442 - ILLUSTRATION OF SCENARIO CROSS 2: SECURITIES MOVEMENTS AND SETTLEMENT INSTRUCTIONS
(BASED ON “ALTERNATIVE” SECURITY CSD LINKS)

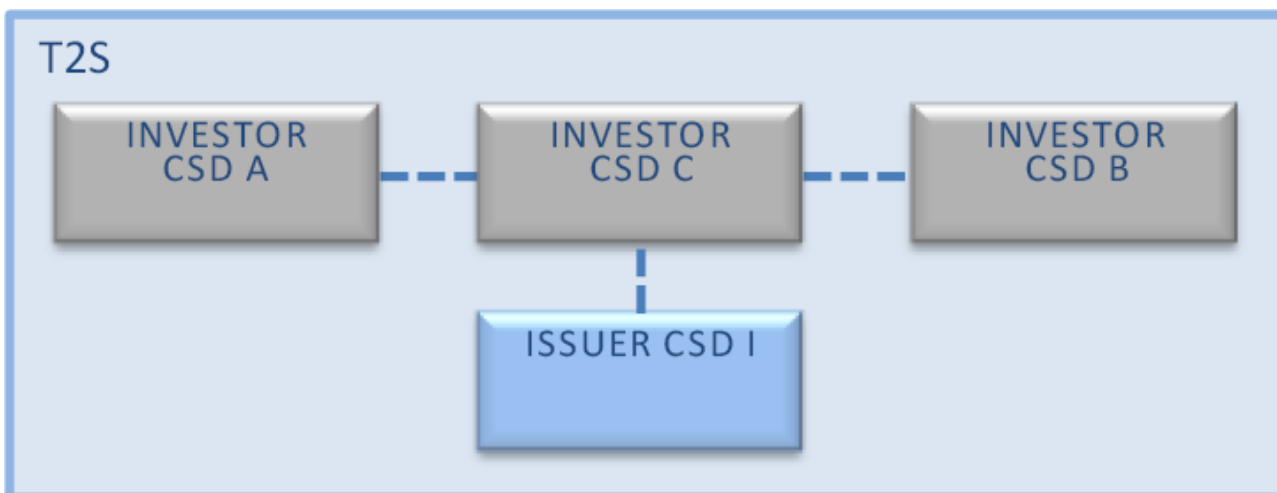


EXAMPLE 10126 - SCENARIO CROSS 3: COMMON TECHNICAL ISSUER CSD IN T2S

This example describes the settlement where participant A from investor CSD A is selling securities to participant B from investor CSD B. It implies:

- ┆ Two investor CSDs (A and B) in T2S in relationship with the same investor CSD C as their technical issuer CSD;
- ┆ An investor CSD C in T2S in relationship with the issuer CSD I as technical issuer CSD;
- ┆ The issuer CSD I in T2S.

DIAGRAM 14113 - ILLUSTRATION OF SCENARIO CROSS 3: COMMON TECHNICAL ISSUER CSD IN T2S (A)



In case CSD C uses a single omnibus account in the issuer CSD I, the scenario is equivalent to scenario Cross 1.

In such a scenario, T2S builds the realignment chains using only "default" security CSD links. "Alternative" links are used as a preference under a complex configuration of double-issuance or External-CSD settlement.

On the basis of the incoming business matched (0) Settlement Instructions:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

Four T2S generated realignment Settlement Instructions are created as follows:

- One T2S generated Settlement Instruction T2SgSI1 which credits the mirror account A-C in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-C		RECE	100			CSD A	Part A

- Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between omnibus securities accounts in the investor CSD C:

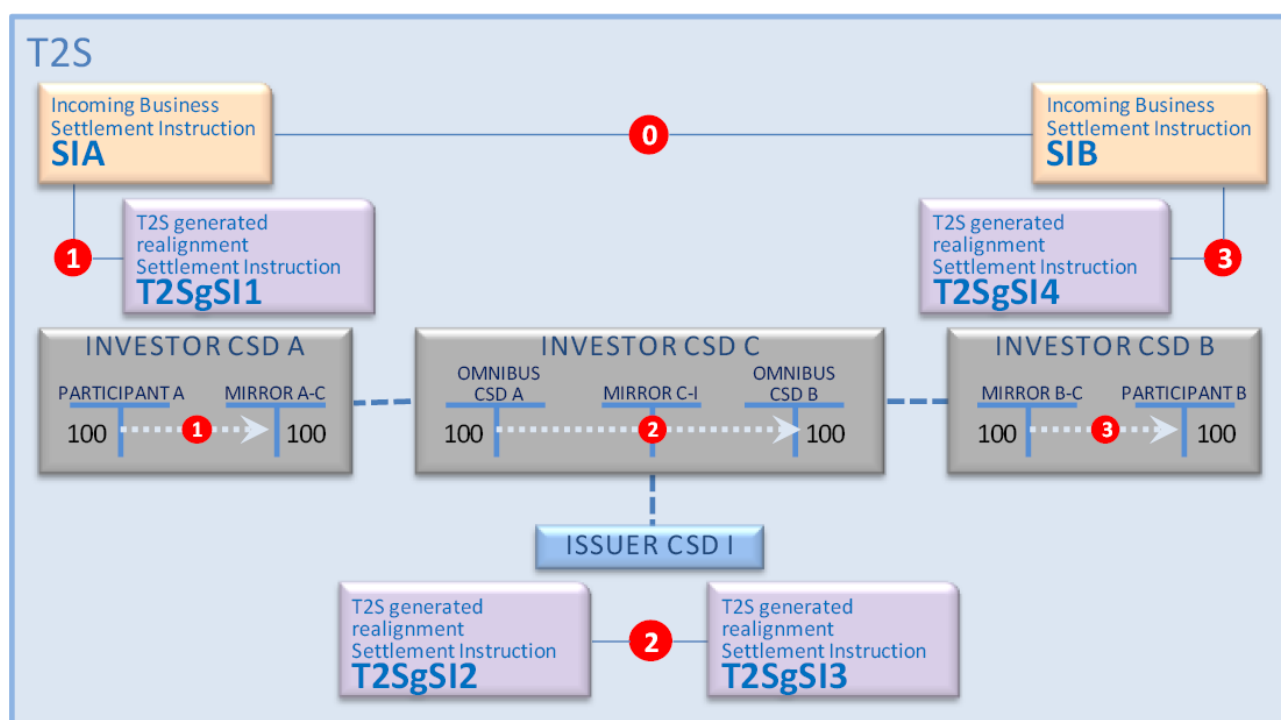
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as CSD C part.)	Omnibus CSD A	ISIN X	DELI	100	CSD C	CSD B		
T2SgSI3	CSD B (as CSD C part.)	Omnibus CSD B		RECE	100			CSD C	CSD A

- One T2S generated realignment Settlement Instructions T2SgSI4 which debits the mirror account B-C in the investor CSD B and is created already matched (3) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI4	CSD B	Mirror B-C	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting process with the business Settlement Instructions (0) that allow settling the cash leg.

DIAGRAM 15114 - ILLUSTRATION OF SCENARIO CROSS 3 (A): SECURITIES MOVEMENTS AND SETTLEMENT INSTRUCTIONS



In case CSD C uses two different omnibus accounts in the issuer CSD I, additional T2S generated realignment Settlement Instructions are created.

On the basis of the incoming business matched (0) Settlement Instructions:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

Eight T2S generated realignment Settlement Instructions are created as follows:

- One T2S generated Settlement Instruction T2SgSI1 which credits the mirror account A-C in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-C		RECE	100			CSD A	Part A

- Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between the omnibus securities account of CSD A in the investor CSD C and the first mirror account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as CSD C part.)	Omnibus CSD A	ISIN X	DELI	100	CSD C	CSD C		
T2SgSI3	CSD C	Mirror C-I 1		RECE	100			CSD C	CSD A

- Two created already matched (3) T2S generated realignment Settlement Instructions T2SgSI4 and T2SgSI5 between omnibus securities accounts of CSD C in the issuer CSD I:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI4	CSD C (as CSD I part.)	Omnibus 1 CSD C	ISIN X	DELI	100	CSD I	CSD C		
T2SgSI5	CSD C (as CSD I part.)	Omnibus 2 CSD C		RECE	100			CSD I	CSD C

- Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI6 and T2SgSI7 between the second mirror account and the omnibus securities account of CSD B in the investor CSD C:

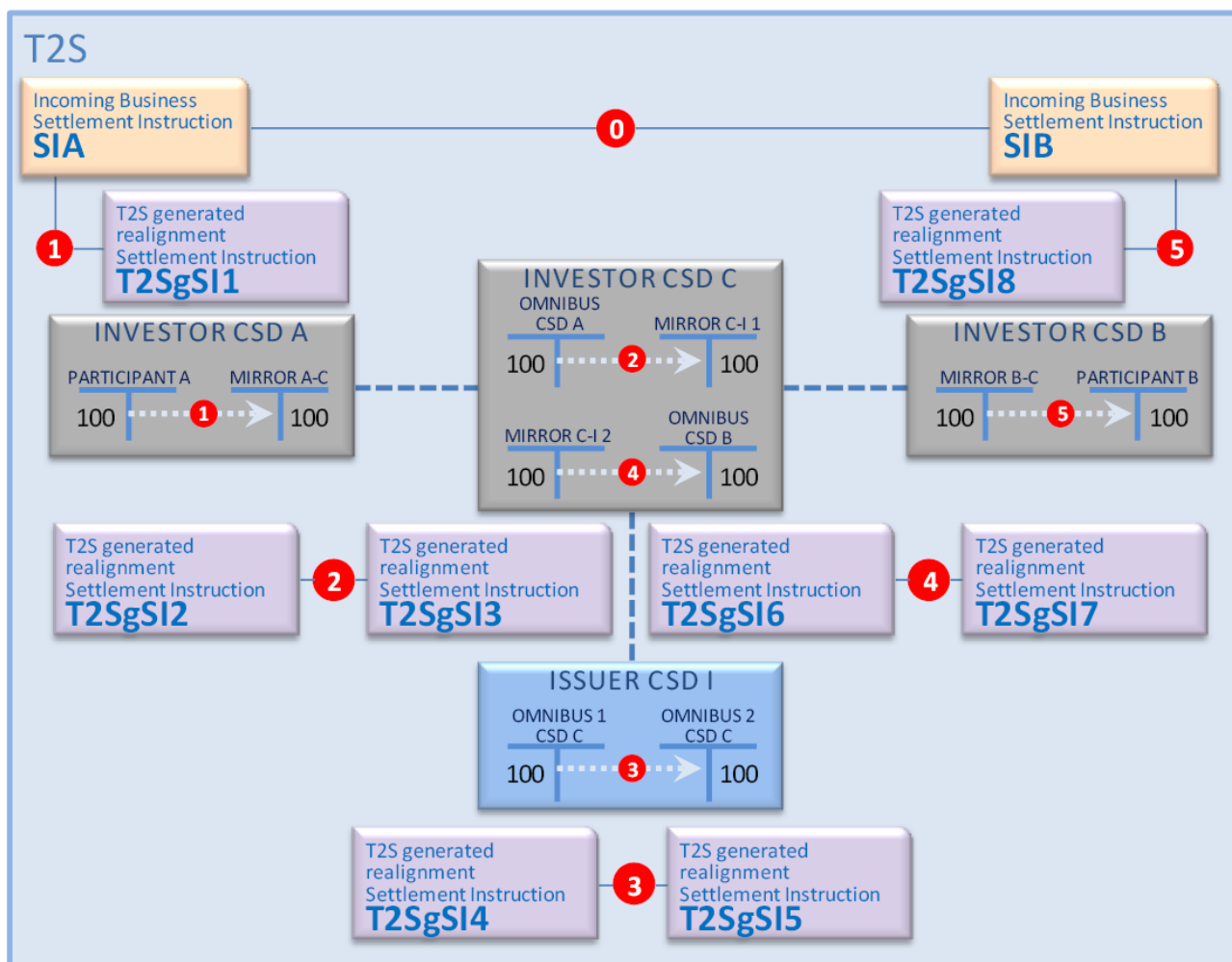
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI6	CSD C	Mirror C-I 2	ISIN X	DELI	100	CSD C	CSD B		
T2SgSI7	CSD B (as CSD C part.)	Omnibus CSD B		RECE	100			CSD C	CSD C

- One T2S generated realignment Settlement Instructions T2SgSI8 which debits the mirror account B-I in the investor CSD B and is created already matched (3) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI8	CSD B	Mirror B-C	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting process with the business Settlement Instructions (0) that allow settling the cash leg.

DIAGRAM 16115 - ILLUSTRATION OF SCENARIO CROSS 3 (B): SECURITIES MOVEMENTS AND SETTLEMENT INSTRUCTIONS



Scenario external-CSD settlement

These scenarios cover the external-CSD settlement defined as a settlement:

- Between counterparts not belonging to the same CSD;
- With one or several of the CSD(s) involved in the chain (investors, technical issuer and issuer), from the investor CSD of the delivering counterpart to the investor CSD of the receiving counterpart, being external to T2S.

For external-CSD settlement, the global settlement chain from the delivering counterpart to the receiving counterpart is dealt partly:

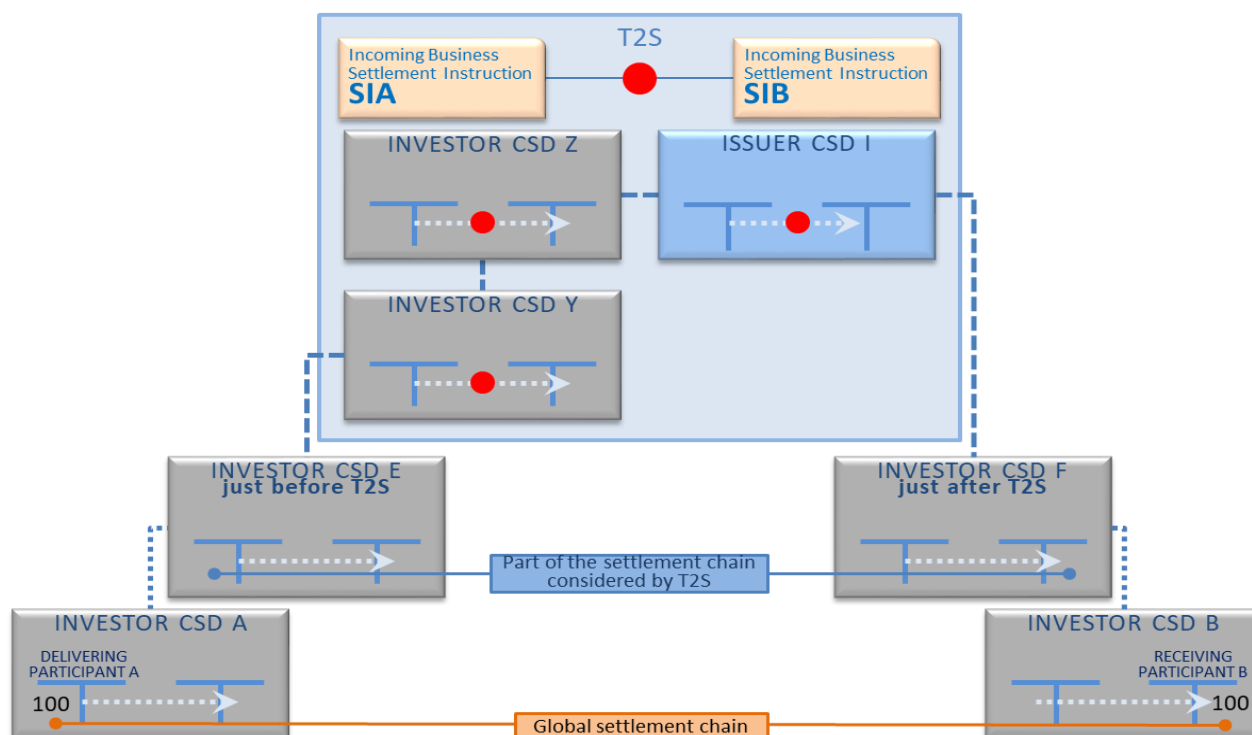
- In T2S, on the basis of the realignment application process;
- Outside T2S, through the own procedures of the involved T2S Actors.

Part of the global settlement chain dealt in T2S

T2S only considers the part of the global settlement chain starting from the first external-CSD before T2S, if the global settlement chain starts outside T2S, and ending to the first external-CSD after T2S, if the global settlement chain continues outside T2S. All other external-CSDs involved in the global settlement chain are not considered by the realignment application process.

To do that, the realignment application process relies either on “default” security CSD links configured in the reference data, or “alternative” links if also configured.

DIAGRAM 17416 - PART OF THE GLOBAL SETTLEMENT CHAIN CONSIDERED BY T2S



The incoming delivering Settlement Instruction is instructed:

- | By the delivering counterpart when the global settlement chain starts in T2S (as for any Settlement Instruction of CSD participant in T2S);
- | By either the first external-CSD before T2S in the global settlement chain or by the first CSD in T2S, when the global settlement chain starts outside T2S.

The incoming receiving Settlement Instruction is instructed:

- | By the receiving counterpart when the global settlement chain stops in T2S (as for any Settlement Instruction of CSD participant in T2S);
- | Either by the first external-CSD after T2S or by the last CSD in T2S when the global settlement chain continues outside T2S.

On that basis, T2S applies the realignment process on external-CSD settlement with the following steps:

- | Building the delivering and receiving chain, identically to the generic process, for the part of the settlement chain considered by T2S;
- | If both delivering and receiving investor CSDs in the incoming matched Settlement Instructions are in T2S, the realignment application process checks the existence of “alternative” security CSD links pointing to either the delivering investor CSD or its counterpart (receiving investor CSD). If such an alternative link is set up in the reference data, the preference should go first to the chain

using it. Otherwise, the default links should be considered. It must be noted that T2S does not allow to set up an alternative investor link if the Investor CSD and/or the counterpart CSD in the incoming matched instructions is outside T2S;

- | Derivation of the first delivering and/or receiving omnibus account in T2S, when the delivering and/or receiving investor CSD is outside T2S and is not the issuer CSD;
- | Generating the T2S generated realignment Settlement Instructions, as described in the generic process, for the part of the settlement chain inside T2S.

These steps are each described below then illustrated with a few commonly expected applicable scenarios.

Derivation of the first omnibus account in T2S

In case of CSDs external to T2S, T2S accepts incoming Settlement Instructions without indication of the omnibus or inter CSD securities accounts used in T2S to deliver or receive the securities. If the CSD outside T2S is the technical issuer CSD of the CSD in T2S, T2S generates the realignment Settlement Instructions as described in the realignment generic process, starting with the participant securities account of the counterparty instruction and finally impacting the relevant inter-CSD account.

If the CSD outside T2S is the investor CSD and the CSD in T2S is its technical issuer CSD (according to “default” links as an alternative link can only be set up between a T2S-in investor CSD, pointing to a T2S-in technical issuer CSD), T2S derives the omnibus securities account using the following information contained in the incoming Settlement Instructions:

- | In case of delivering Settlement Instruction:
 - Delivering CSD;
 - ISIN;
 - Optionally, external securities account;
- | In case of receiving Settlement Instruction:
 - Receiving CSD;
 - ISIN;
 - Optionally, external securities account.

Based on that information, T2S identifies the omnibus securities account to be used through the CSD accounts links configured for the triplet {Investor CSD | Technical Issuer | Participant account}.

If the external investor CSD uses several omnibus securities accounts in its technical issuer CSD in T2S, the external securities account indicated in the incoming Settlement Instruction is then used as participant account to identify the relevant omnibus securities account to be used.

Once the omnibus securities account is identified, it is used by T2S as participant securities account to start the generation of the realignment Settlement instruction as described in the realignment generic process.

Derivation of the issuance account in T2S

When the realignment chain starts from or/and ends to a CSD external to T2S and there is at least one issuer CSD in T2S, T2S creates realignment instructions affecting its main issuance account of the T2S-IN issuer CSD instead of a mirror or an inter-CSD account.

Settlement of the cash side for external-CSD settlements

In case of external-CSD settlements, the cash side is settled using:

- | When it is mentioned, the T2S dedicated cash account referred in the incoming business Settlement Instructions. In such case the process checks if this cash account is associated in the reference data
 - to the impacted securities account identified above, or,
 - in case of PFODs, to the Inter-CSD account associated to the External CSD, if the External CSD is configured as issuer CSD for the affected security.

Otherwise the business Settlement Instruction is cancelled;

- | When the T2S dedicated cash account is not mentioned in the incoming business Settlement Instruction: the default cash account set in the reference data
 - for the impacted securities account identified above, or,
 - in case of PFODs, to the Inter-CSD account associated to the External CSD, if the External CSD is configured as issuer CSD for the affected security.

If no DCA is linked to the inter-CSD account, the business Settlement Instruction is cancelled.

The cash is settled with the settlement of the incoming business instructions.

Building the chain and generating realignment Settlement Instructions

Once all instructions internal to T2S are identified (including the first derived T2S generated realignment Settlement Instruction following the derivation of omnibus or inter-CSD account) the generic realignment process (building the delivering and receiving chains, generating the T2S realignment Settlement Instructions) is then applied on the Settlement Instructions.

Conditional settlement for External-CSD settlements

In case of external-CSD settlement, the settlement in T2S can be considered as:

- | An unconditional In-Out when the settlement in T2S is not submitted to any external condition;
- | A conditional In-Out when the settlement in T2S is subject to the fulfilment of an external condition.

External-CSD settlements are conditional In-Out when:

- | The Issuer CSD involved in the Settlement Instruction is outside T2S;
- | The investor CSDs are not both in T2S.

The conditional In-Out is achieved in T2S with the application of conditional settlement on the T2S business Settlement Instructions (see section [Conditional Settlement](#) [▶ [Error! Bookmark not defined.504](#)]). To that purpose, the CSDs in T2S have to configure CoSD rules.

The resulting CoSD activation aims to block the securities in the T2S delivering securities account or the cash, if any, in the debiting T2S Dedicated cash account, waiting for the CoSD release from the administering party associated to the CoSD rules.

In order to avoid complex descriptions in the scenarios below, the CoSD activation step is not detailed but only mentioned when it occurs. Therefore, only the movements related to the realignment application process are described, and not the ones related to the conditional settlement.

External-CSD settlement scenarios

There are as many scenarios as there may be investors CSD technical issuers CSD and issuers CSD involved in the chain.

The scenarios below detail only the most common ones:

EXAMPLE	FIRST DELIVERING INVESTOR CSD	LAST RECEIVING INVESTOR CSD	GLOBAL SETTLEMENT CHAIN	PART OF THE SETTLEMENT CHAIN CONSIDERED BY T2S
Example 127 - Receiving investor CSD external to T2S [▶ 46478]	Internal	External	The first delivering investor CSD is in T2S and the last receiving investor CSD is external to T2S	<p>The receiving chain starts outside T2S. The linked CSD in T2S via default links is the technical issuer. So, T2S identifies the Omnibus a/c which receives the securities in T2S.</p> <p>No alternative link can be considered as it can only be set up between a T2S-in investor CSD, pointing to a T2S-in technical issuer CSD.</p>
Example 128 - Receiving investor CSD and issuer CSD external to T2S [▶ 48480]	Internal	External	The first delivering investor CSD is in T2S and the last receiving investor CSD is external to T2S	<p>The delivering chain ends outside T2S. The linked CSD in T2S via default links is the investor CSD. So, T2S identifies the inter CSD a/c which receives the securities in T2S.</p> <p>No alternative link can be considered as it can only be set up between a T2S-in investor CSD, pointing to a T2S-in technical issuer CSD.</p>

EXAMPLE	FIRST DELIVERING INVESTOR CSD	LAST RECEIVING INVESTOR CSD	GLOBAL SETTLEMENT CHAIN	PART OF THE SETTLEMENT CHAIN CONSIDERED BY T2S
Example 129 - Delivering investor CSD and issuer CSD external to T2S [▶ 51483]	External	Internal	The first delivering investor CSD is external to T2S and the last receiving investor CSD is in T2S.	<p>The receiving chain ends outside T2S. The linked CSD in T2S via default links is the investor CSD. So, T2S identifies the inter CSD a/c which delivers the securities in T2S.</p> <p>No alternative link can be considered as it can only be set up between a T2S-in investor CSD, pointing to a T2S-in technical issuer CSD.</p>
Example 130 - The issuer CSD is external to T2S and both investor CSDs are in T2S [▶ 55486]	Internal	Internal	Both delivering and receiving investor CSDs are in T2S but the issuer CSD is external to T2S.	<p>The delivering chain ends outside T2S. The linked CSD in T2S via default links is the investor CSD. So, T2S identifies the inter CSD a/c which receives the securities in T2S.</p> <p>The receiving chain ends outside T2S. The linked CSD in T2S via defaults links is the investor CSD. So, T2S identifies the inter CSD a/c which delivers the securities in T2S.</p> <p>T2S checks whether an alternative link pointing to the first delivering investor CSD or to the last receiving investor CSD can be considered. If yes, this alternative link must be used as a preference in the realignment chain.</p>
Example 131 - Two investor CSDs external to T2S and one issuer CSD in T2S [▶ 60491]	External	External	Both delivering and receiving investor CSDs are external to T2S, the issuer CSD is in T2S.	<p>The delivering chain starts outside T2S. The linked CSD in T2S via default is the technical issuer. So, T2S identifies the omnibus a/c which delivers the securities in T2S.</p> <p>The receiving chain starts outside T2S. The linked CSD in T2S is the technical issuer. So, T2S identifies the omnibus a/c which receives the securities in T2S.</p> <p>No alternative link can be considered as it can only be set up between a T2S-in</p>

EXAMPLE	FIRST DELIVERING INVESTOR CSD	LAST RECEIVING INVESTOR CSD	GLOBAL SETTLEMENT CHAIN	PART OF THE SETTLEMENT CHAIN CONSIDERED BY T2S
<u>Example 132 (Multi issuance) – Two investor CSDs are in T2S, one issuer CSD is in T2S and the other issuer CSD is external to T2S</u>	<u>Internal</u>	<u>Internal</u>	<u>Both delivering and receiving investor CSDs are in T2S but one issuer CSD is in T2S and the other issuer CSD is external to T2S.</u>	investor CSD, pointing to a T2S-in technical issuer CSD. <u>The receiving chain ends outside T2S. The linked CSD in T2S is the receiving investor CSD. So, T2S identifies the inter CSD a/c which delivers the securities in T2S.</u>

Scenarios– Internal first delivering investor CSD and external last receiving investor CSD

These scenarios relate to external-CSD settlements with a global settlement chain starting in T2S and continuing outside T2S.

In such scenarios, the incoming business Settlement Instructions have the following main characteristics:

- I For the delivering:
 - It is instructed by the delivering counterpart;
 - It indicates a securities account existing in T2S;
- I For the receiving:
 - It is instructed by the first external-CSD after T2S or the last CSD in T2S in the settlement chain;
 - It indicates an external securities account unknown by T2S.

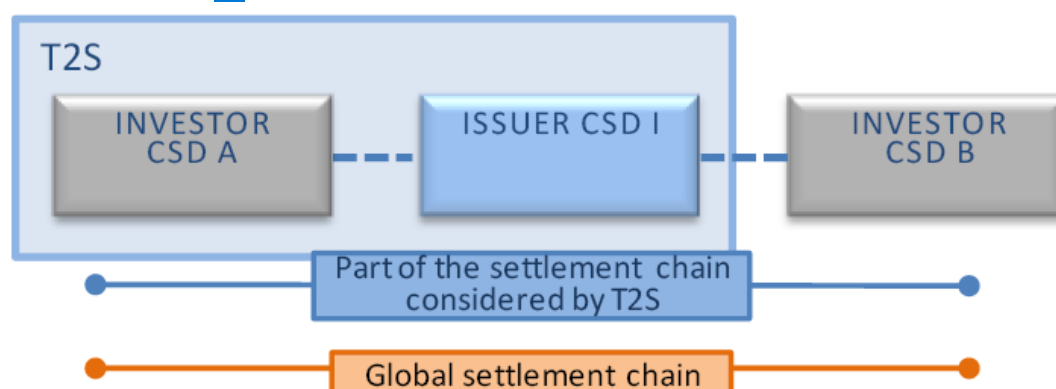
EXAMPLE ~~11127~~ - RECEIVING INVESTOR CSD EXTERNAL TO T2S

This example describes the case of a settlement where participant A from investor CSD A in T2S is selling securities to participant B from investor CSD B external to T2S and where:

- I The investor CSD A in T2S in relationship with the issuer CSD I as technical issuer CSD;
- I The investor CSD B external to T2S in relationship with the same issuer CSD I as technical issuer CSD;
- I The issuer CSD I in T2S.

In this scenario, no alternative link can be considered by T2S as the setup of alternative links is allowed only for T2S-in investor CSDs, pointing to a T2S-in technical issuer CSD.

DIAGRAM 18447 - SETTLEMENT CHAIN RECEIVING INVESTOR CSD EXTERNAL TO T2S



From the perspective of T2S, this scenario appears as a settlement between:

- | Participant A which belongs to investor CSD A in T2S;
- | The external-CSD B as participant of the issuer CSD I in T2S where it owns an omnibus account.

It is an unconditional In/Out settlement since one investor CSD and the issuer CSD are internal to T2S.

The following business Settlement Instructions are received in T2S:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	CSD B (as CSD I part.)	Unknown		RECE	100	CSD B	Part B	CSD A	Part A

SIA and SIB are submitted to the realignment application process on external-CSD.

Before generating the realignment instructions, the process detects that the internal CSD linked to the external receiving CSD B is the technical issuer CSD I. So, it identifies that the last receiving securities account in T2S is an omnibus securities account. If the investor CSD B uses several omnibus securities accounts in its technical issuer CSD I, the external securities account indicated in SIB is then used to select the appropriate internal omnibus account. The following T2S generated realignment Settlement Instructions are created:

- | One T2S generated realignment Settlement Instruction T2SgSI1 which credits the mirror account A-I in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-I		RECE	100			CSD A	Part A

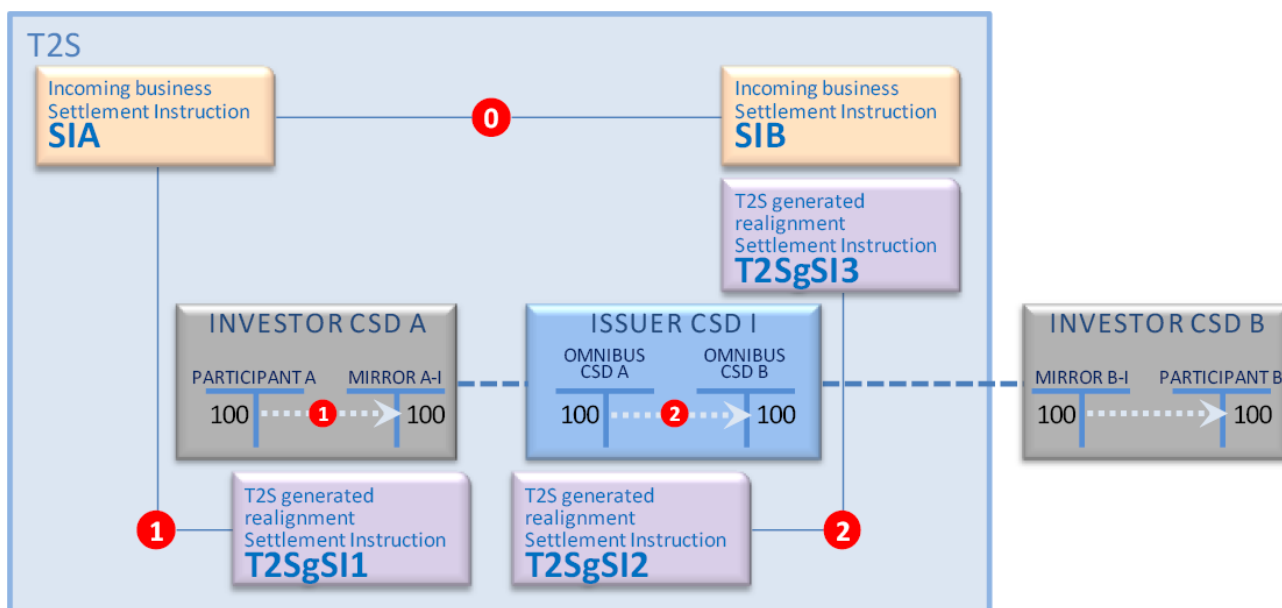
Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between omnibus securities accounts in the Issuer CSD I:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as CSD I part.)	Omnibus CSD A	ISIN X	DELI	100	CSD I	CSD B		
T2SgSI3	CSD B (as CSD I part.)	Omnibus CSD B		RECE	100			CSD I	CSD A

Since the receiving CSD is external, after the realignment application process, the business Settlement Instruction SIB is involved with SIA only for the settlement of the cash leg if any.

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting application process with the business Settlement Instructions (0).

DIAGRAM 19118 - SETTLEMENT MOVEMENTS AND SETTLEMENT INSTRUCTIONS RECEIVING INVESTOR EXTERNAL TO T2S



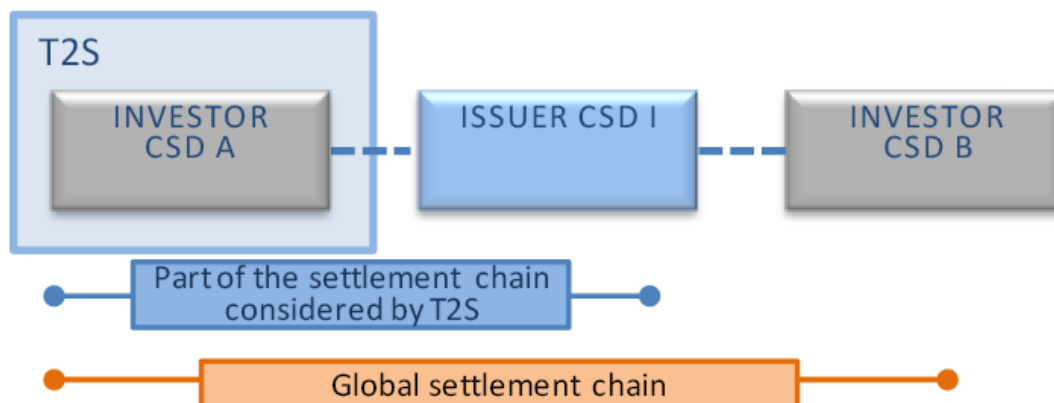
EXAMPLE 12128 - RECEIVING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S

This example describes the case of a settlement where a participant A of the investor CSD A in T2S is selling securities to a participant B of the investor CSD B external to T2S and where:

- The investor CSD A in T2S in relationship with the issuer CSD I;
- The investor CSD B external to T2S in relationship with the same issuer CSD I;
- The issuer CSD I external to T2S.

In this scenario, no alternative link can be considered by T2S as the setup of alternative links is allowed only for T2S-in investor CSDs, pointing to a T2S-in technical issuer CSD.

DIAGRAM 20119 - SETTLEMENT CHAIN RECEIVING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S



From the perspective of T2S, this scenario appears as a settlement between:

- Participant A which belongs to investor CSD A in T2S;
- The CSD A as its own participant.

The following business Settlement Instructions are received in T2S:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD I	CSD B		
SIB	CSD A	Unknown		RECE	100	CSD I	CSD B	CSD A	Part A

SIA and SIB are submitted to the realignment application process on external-CSD settlement.

If the investor CSD A uses several omnibus securities accounts in its technical issuer CSD I, the generic realignment process selects the appropriate internal CSD account based on the participant securities account provided in SIA.

The following T2S generated realignment Settlement Instructions are created:

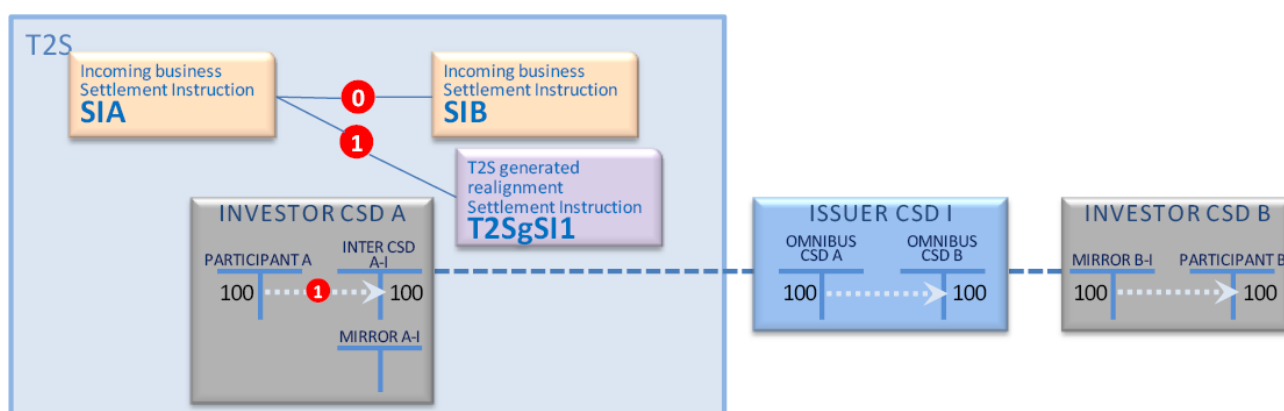
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A Y	ISIN X	DELI	100	CSD I	CSD B		
T2SgSI1	CSD A	inter-CSD A-I		RECE	100			CSD A	Part A

Since the receiving CSD is external, after the realignment application process, the business Settlement Instruction SIB is only involved with SIA for the settlement of the cash leg if any.

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions.

Since it is a conditional In-Out, a CoSD is activated (see section [Conditional Settlement](#) [▶ [Error! Bookmark not defined.](#)504]) based on CoSD rules preliminary set by the relevant CSD. Securities are blocked in the securities account of Participant A until releases are received from administering parties, following the fulfillment of conditions outside T2S. At the CoSD release, the business Settlement Instructions SIA|SIB and the T2S generated realignment Settlement Instruction T2SgSI1 are all submitted on an all-or-none basis to the posting application process.

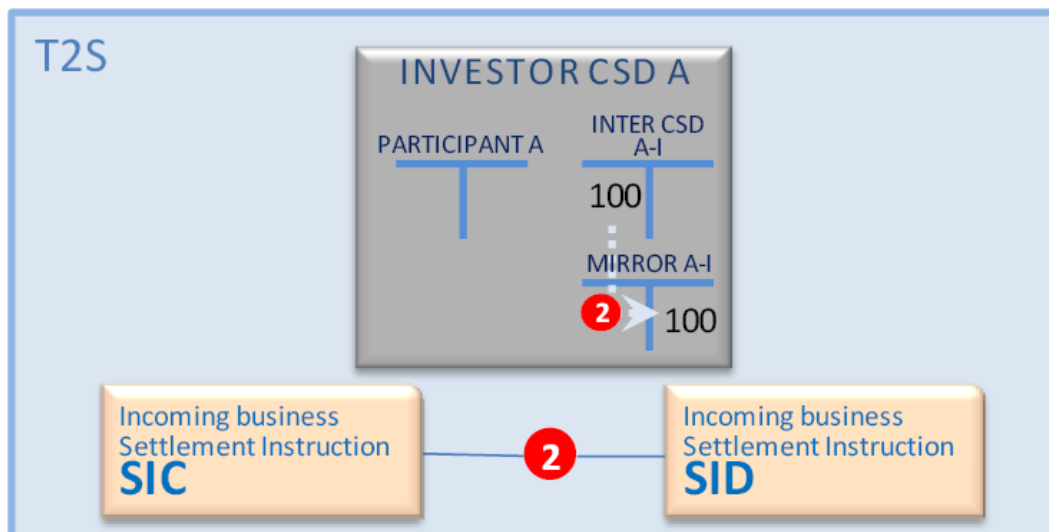
DIAGRAM 21-20 - SETTLEMENT MOVEMENTS AND SETTLEMENT INSTRUCTIONS RECEIVING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S



In a second step, after the confirmation of the actual delivery from its omnibus securities account in the issuer CSD I, CSD A (as its own participant) instructs T2S with the following Settlement Instructions on its inter-CSD and mirror securities accounts:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIC	CSD A	Inter CSD A-I	ISIN X	DELI	100	CSD A	CSD A		
SID	CSD A	Mirror A-I		RECE	100			CSD A	CSD A

DIAGRAM ~~22121~~ - ADDITIONAL SETTLEMENT MOVEMENTS ON CSD A INSTRUCTIONS RECEIVING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S



Scenarios – External first delivering Investor CSD and internal last receiving Investor CSD

These scenarios relate to external-CSD settlements with a global settlement chain starting outside T2S and ending in T2S.

In such scenarios, the incoming business Settlement Instructions have the following main characteristics:

- I For the delivering:
 - It is instructed by the first external-CSD before T2S or the first CSD in T2S in the settlement chain;
 - It indicates an external securities account unknown by T2S;
- I For the receiving:
 - It is instructed by the receiving counterpart;
 - It indicates a securities account existing in T2S.

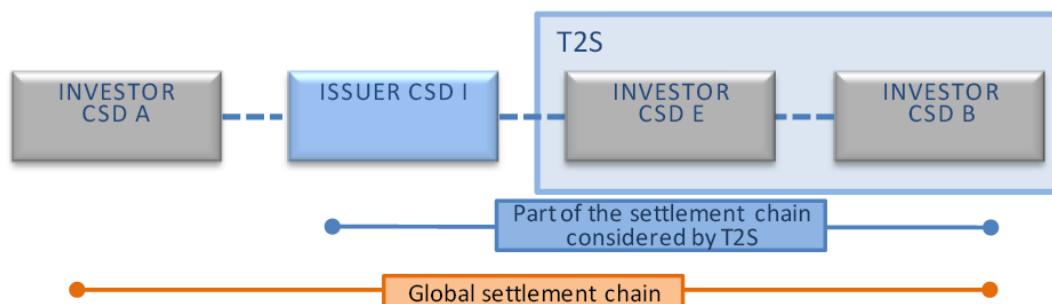
EXAMPLE ~~13129~~ - DELIVERING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S

This example describes the case of a settlement where a participant A of the investor CSD A external to T2S is selling securities to a participant B of the investor CSD B in T2S and where:

- I The investor CSD A external to T2S is in relationship with the issuer CSD I;
- I The investor CSD B in T2S is in relationship with the technical issuer CSD E;
- I The investor CSD E is the Parent CSD in T2S of the external CSD issuer CSD I;
- I The issuer CSD I is external to T2S.

In this scenario, no alternative link can be considered by T2S as the setup of alternative links is allowed only for T2S-in investor CSDs, pointing to a T2S-in technical issuer CSD.

DIAGRAM 23-22 - SETTLEMENT CHAIN DELIVERING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S



In this case, from the perspective of T2S, this scenario ends as a settlement between:

- The CSD E as its own participant;
- Participant B which belongs to investor CSD B in T2S.

For the part of the global settlement chain dealt in T2S, the following business Settlement Instructions are received in T2S:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	CSD E	Unknown	ISIN X	DELI	100	CSD B	Part B	CSD I	CSD A
SIB	Part B	Part B S/A		RECE	100			CSD I	CSD A

SIA and SIB are submitted to the realignment application process on external-CSD settlement.

If the investor CSD E uses several omnibus securities accounts in its technical issuer CSD I, the generic realignment process selects the appropriate internal inter CSD account based on the participant securities account provided in SIB.

The following T2S generated realignment Settlement Instructions are created:

- One T2S generated realignment Settlement Instruction T2SgSI1 which debits the mirror account B-E in the investor CSD B and is created already matched (1) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI1	CSD B	Mirror B-E	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A	ISIN X	RECE	100			CSD I	CSD A

- I Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between the inter CSD account E-I and the omnibus securities accounts of CSD B in the technical issuer CSD E:

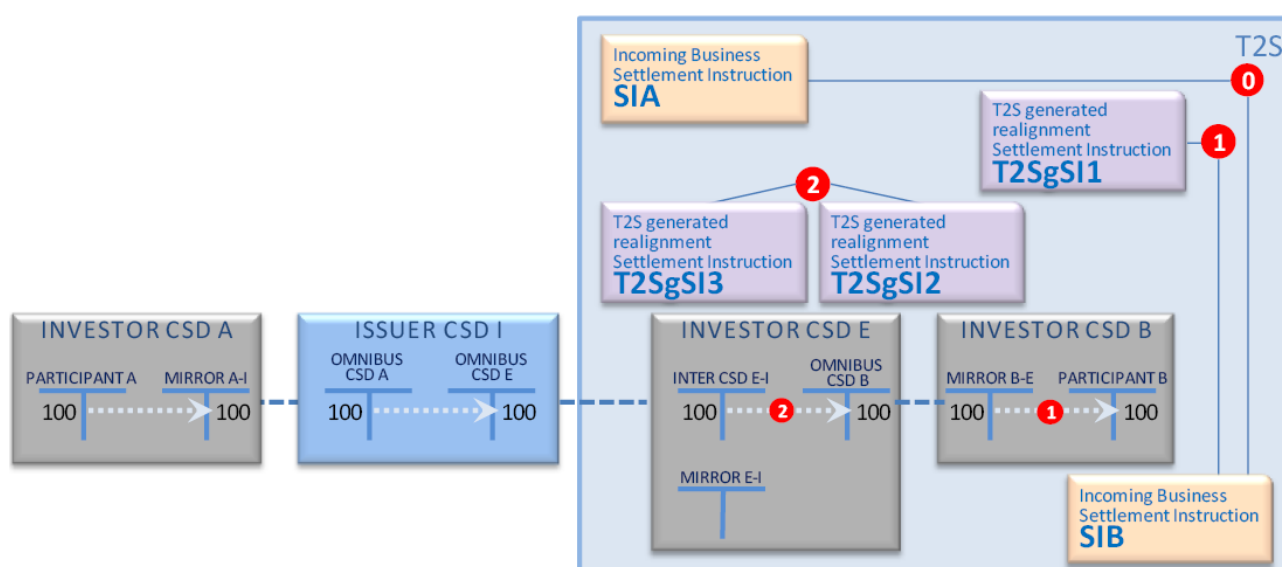
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI3	CSD E	Inter-CSD E-I	ISIN X	DELI	100	CSD E	CSD B		
T2SgSI2	CSD B (as CSD E part.)	Omnibus CSD B		RECE	100			CSD E	CSD E

Since the delivering CSD is external to T2S, after the realignment application process, the business Settlement Instruction SIA is only involved with SIB for the settlement of the cash leg if any.

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions.

Since it is a conditional In-Out, a CoSD is activated (see section [Conditional Settlement](#) [▶ [Error! Bookmark not defined.](#)504]) based on CoSD rules preliminary set by the relevant CSD. Cash is blocked, if any, in the T2S dedicated cash account of Participant B until releases are received from administering parties, following the fulfillment of conditions outside T2S. At the CoSD release, all business Settlement Instructions and T2S generated realignment Settlement Instructions are all submitted on an all-or-none basis to the posting application process.

DIAGRAM 24123 - SETTLEMENT MOVEMENTS AND SETTLEMENT INSTRUCTIONS DELIVERING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S

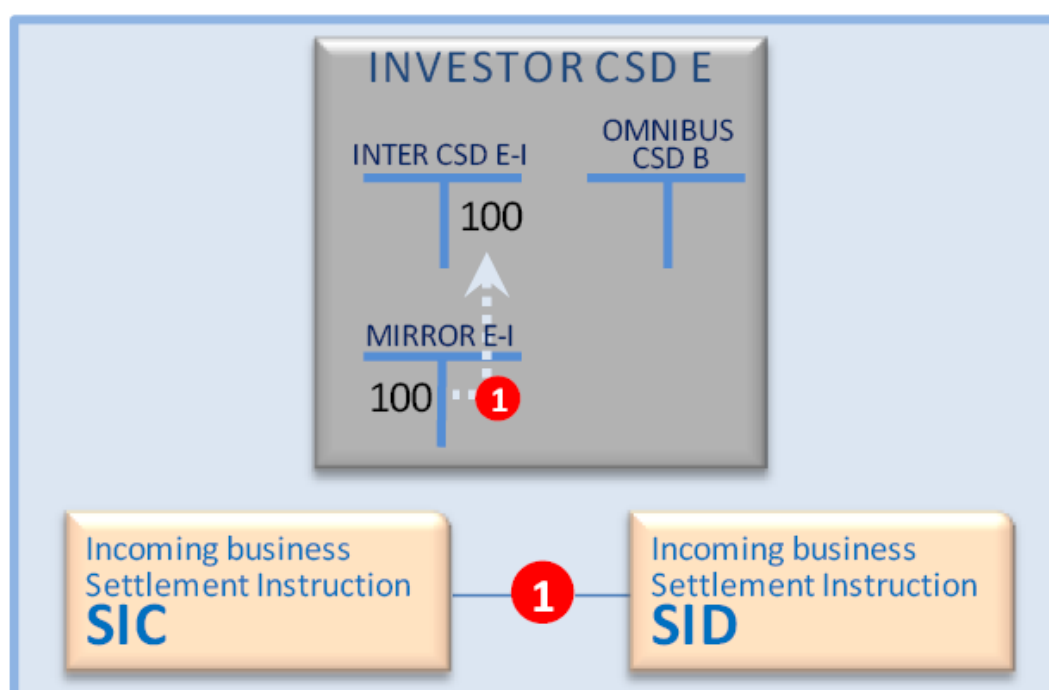


In a second step, after the confirmation of the actual delivery on its omnibus securities account in the issuer CSD I, CSD E (as its own participant) instructs T2S with the following Settlement Instructions on its inter CSD and mirror securities accounts:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIC	CSD E	Mirror E-I	ISIN X	DELI	100	CSD E	CSD E		
SID	CSD E	Inter CSD E-I		RECE	100			CSD E	CSD E

These business Settlement Instructions are managed by T2S regardless of the business Settlement Instruction below concerning the part of the global settlement chain dealt in T2S. They are not subject to realignment since it is an intra-CSD settlement in CSD E.

DIAGRAM 25124 - ADDITIONAL SETTLEMENT MOVEMENTS ON CSD E INSTRUCTIONS DELIVERING INVESTOR CSD AND ISSUER CSD EXTERNAL TO T2S



Scenarios – Both internal delivering and receiving Investor CSD and an external issuer CSD

These scenarios relate to external-CSD settlements with a global settlement chain starting and ending in T2S but with the issuer CSD of the securities external to T2S.

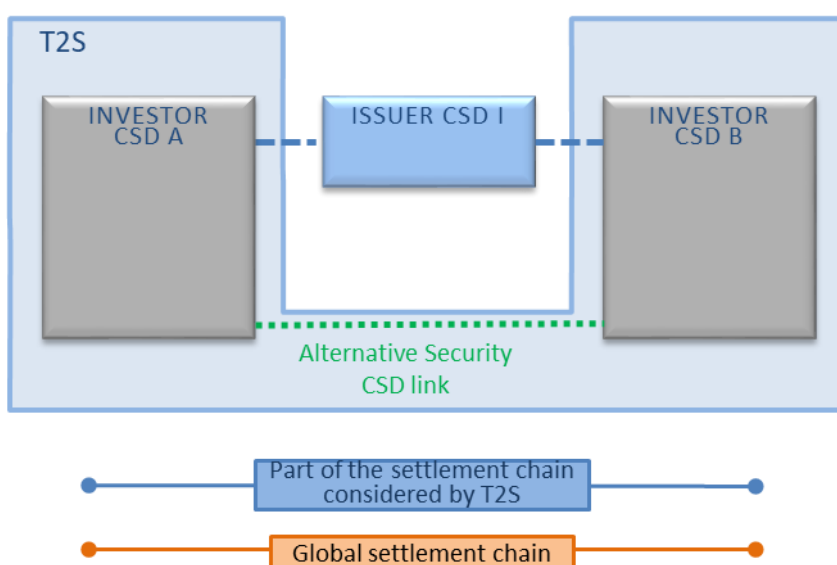
In such scenarios, the incoming business Settlement Instructions have the following main characteristics:

- I For the delivering:
 - It is instructed by the delivering counterpart;
 - It indicates a securities account existing in T2S;
- I For the receiving:
 - It is instructed by the receiving counterpart;
 - It indicates a securities account existing in T2S.

EXAMPLE 14139 - THE ISSUER CSD IS EXTERNAL TO T2S AND BOTH INVESTOR CSDs ARE IN T2S

This example describes the case of a settlement where participant A from investor CSD A is selling securities to participant B from investor CSD B and where:

- | Both investor CSDs A and B in T2S are in relationship with the same issuer CSD I via “default” security CSD links set up in the reference data;
- | The delivering investor CSD A is in relationship with the receiving investor B via an “alternative” security CSD link set up in the reference data;
- | The issuer CSD I external to T2S.

DIAGRAM 26125 - SETTLEMENT CHAIN THE ISSUER CSD IS EXTERNAL TO T2S AND BOTH INVESTOR CSDs ARE IN T2S

Even if issuer CSD I is external to T2S, it is unconditional In/Out since both investor CSDs are in T2S. An unsynchronised instruction is sent by each investor CSD to the external issuer CSD I for the realignment outside T2S.

The following business Settlement Instructions are received in T2S:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A Y	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A Z		RECE	100			CSD A	Part A

T2S creates a number of T2S generated realignment Settlement Instructions according to whether the realignment application process builds the realignment chain considering the “alternative” link (as a preference) or “default” links.

Delivering or receiving chain built up to the counterpart investor CSD using “alternative” security CSD link

An alternative security CSD link being set up in the reference data pointing to the investor CSD B (playing the role of technical issuer CSD for CSD A), T2S must build the delivering realignment chain considering this alternative link as a preference over default links.

The realignment application process creates the following T2S generated realignment Settlement Instructions corresponding to the quantity indicated in the business Settlement Instructions:

- One T2S generated realignment Settlement Instructions T2SgSI1 which credits the Mirror account A-B in the investor CSD A and is created already matched (1) with the business Settlement Instruction debiting the participant A securities account:

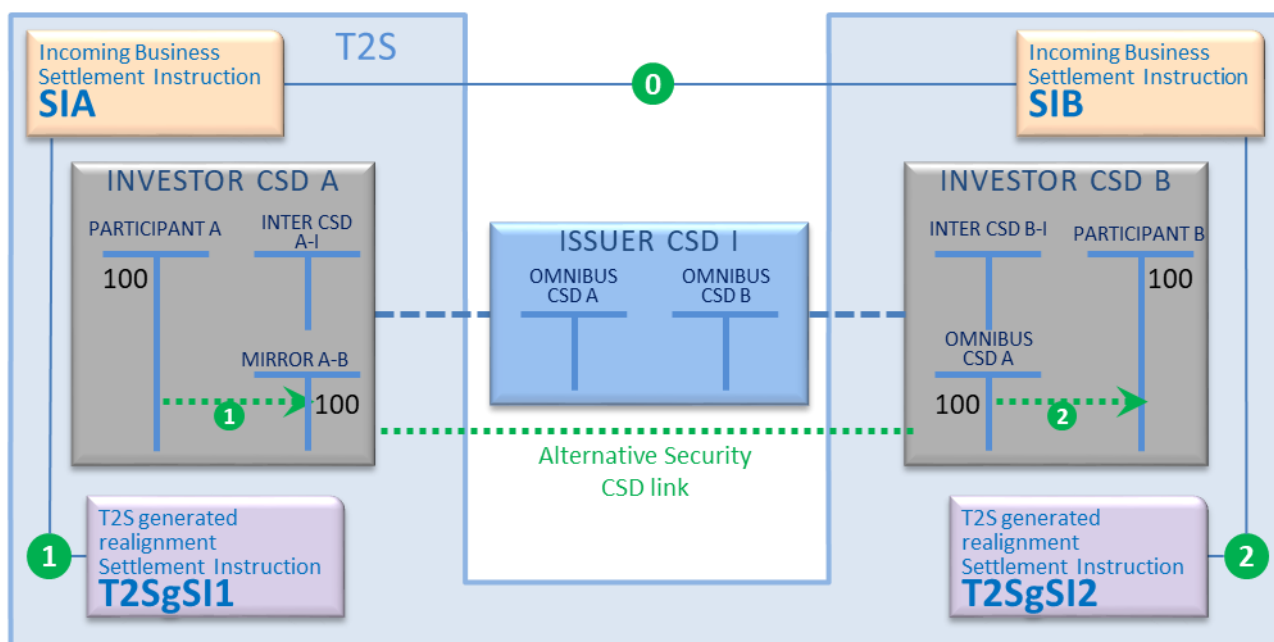
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-B		RECE	100			CSD A	Part A

- One T2S generated realignment Settlement Instructions T2SgSI2 which debits the omnibus account CSD A in the technical issuer CSD B and is created already matched (2) with the business Settlement Instruction crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD B	Omnibus CSD A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

All Settlement Instructions and T2S generated realignment Settlement Instructions are automatically linked by T2S with two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting process with the original business instructions (0).

DIAGRAM [27-126 A](#) - SETTLEMENT MOVEMENTS AND SETTLEMENT INSTRUCTIONS THE ISSUER CSD IS EXTERNAL TO T2S AND BOTH INVESTOR CSDs ARE IN T2S



Delivering and receiving chains built up to the issuer using “default” security CSD links

The realignment application process creates the following T2S generated realignment Settlement Instructions corresponding to the quantity indicated in the business Settlement Instructions:

- One T2S generated realignment Settlement Instructions **T2SgSI1** which credits the inter CSD account A-I in the investor CSD A and is created already matched (1) with the business Settlement Instruction debiting the participant A securities account:

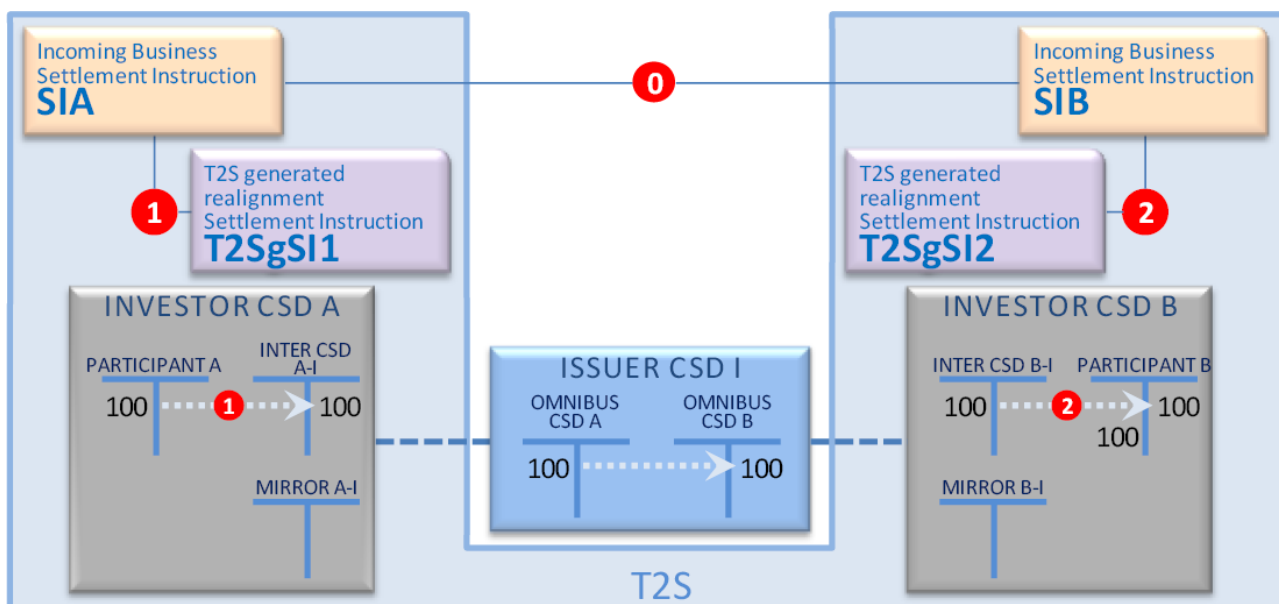
OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A Y	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Inter CSD A-I		RECE	100			CSD A	Part A

- One T2S generated realignment Settlement Instructions **T2SgSI2** which debits the inter CSD account B-I in the issuer CSD B and is created already matched (2) with the business Settlement Instruction crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD B	Inter CSD B-I	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A Z		RECE	100			CSD A	Part A

All Settlement Instructions and T2S generated realignment Settlement Instructions are automatically linked by T2S with two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting process with the original business instructions (0).

DIAGRAM 28126 B - SETTLEMENT MOVEMENTS AND SETTLEMENT INSTRUCTIONS THE ISSUER CSD IS EXTERNAL TO T2S AND BOTH INVESTOR CSDS ARE IN T2S



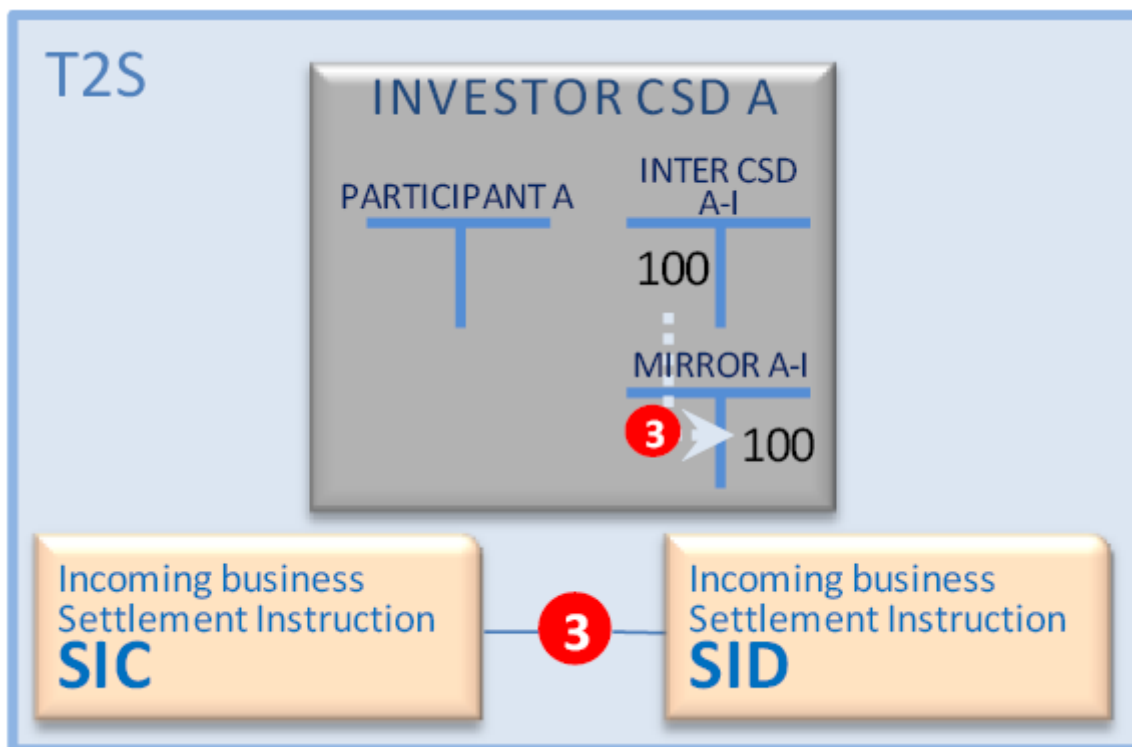
In a second step, after the confirmation of the actual settlement in their omnibus securities account in the issuer CSD I, the investor CSD A (as its own participant) and the investor CSD B (as its own participant) both instruct independently T2S with Settlement Instructions to update their inter-CSD and mirror securities accounts.

The investor CSD A instructs the following business Settlement Instruction:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIC	CSD A	Inter CSD A-I	ISIN X	DELI	100	CSD A	CSD A		
SID	CSD A	Mirror A-I		RECE	100			CSD A	CSD A

The business Settlement Instructions SIC and SID are managed by T2S regardless of the initial business Settlement Instructions SIA and SIB and the Settlement Instructions sent by the investor CSD B (see below). They are not subject to realignment since it is an intra-CSD settlement in CSD A.

DIAGRAM 29127 - ADDITIONAL SETTLEMENT MOVEMENTS ON CSD A INSTRUCTIONS THE ISSUER CSD IS EXTERNAL TO T2S AND BOTH INVESTOR CSDs ARE IN T2S

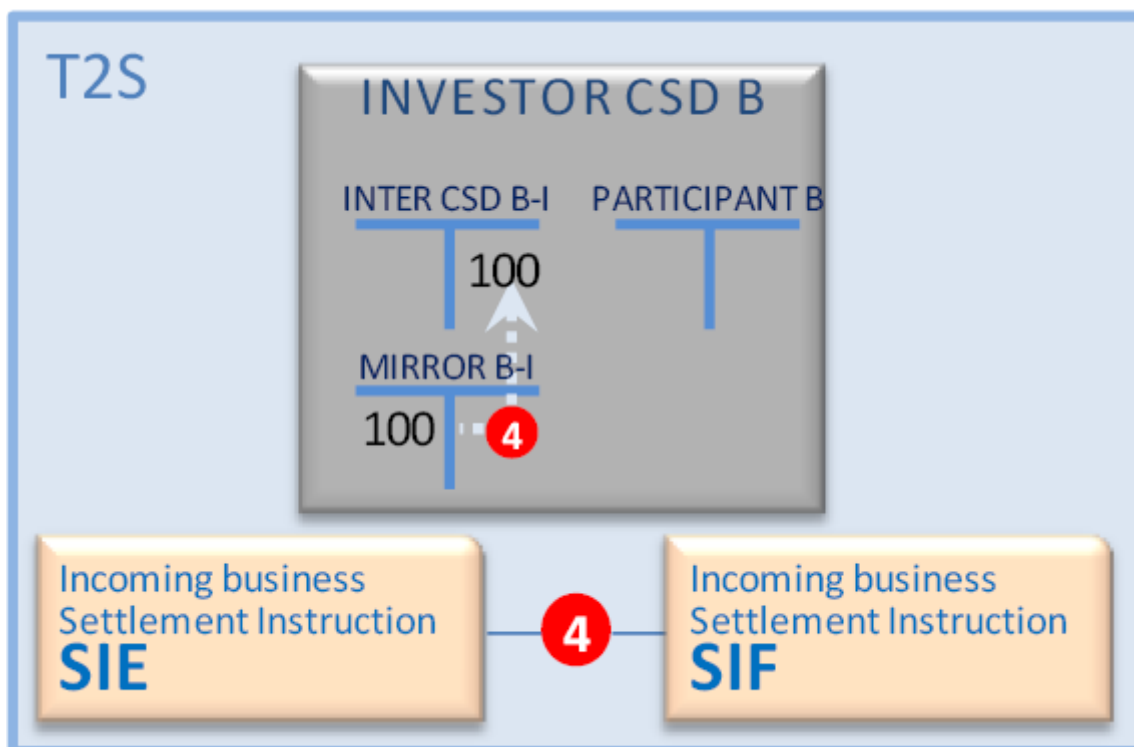


The investor CSD B instructs the following business Settlement Instruction:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIE	CSD B	Mirror B-I	ISIN X	DELI	100	CSD B	CSD B		
SIF	CSD B	Inter CSD B-I		RECE	100			CSD B	CSD B

The business Settlement Instructions SIE and SIF are managed by T2S regardless of the initial business Settlement Instructions SIA and SIB and the Settlement Instructions sent by the investor CSD A (see above). They are not subject to realignment since it is an intra-CSD settlement in CSD B.

DIAGRAM 30128 - ADDITIONAL SETTLEMENT MOVEMENTS ON CSD B INSTRUCTIONS THE ISSUER CSD IS EXTERNAL TO T2S AND BOTH INVESTOR CSDS ARE IN T2S



Scenarios – External delivering and receiving investor CSDs and internal issuer CSD

These scenarios relate to external-CSD settlements with a global settlement chain starting in T2S and ending outside T2S but with the issuer CSD in T2S.

In such scenarios, the incoming business Settlement Instructions have the following main characteristics:

- I For the delivering:
 - It is instructed by the delivering investor external CSD as participant of the issuer CSD in T2S;
 - It indicates an external securities account unknown by T2S;
- I For the receiving:
 - It is instructed by the receiving investor external CSD as participant of the issuer CSD in T2S;
 - It indicates an external securities account unknown by T2S.

Since both incoming business Settlement Instructions indicate an external securities account unknown in T2S, the realignment application process needs to identify the securities account involved in T2S using the CSD accounts links previously configured in the reference data.

EXAMPLE 15131 - TWO INVESTOR CSDS EXTERNAL TO T2S AND ONE ISSUER CSD IN T2S

This example describes the case of an external settlement where participant A of investor CSD A is selling securities to participant B of investor CSD B.

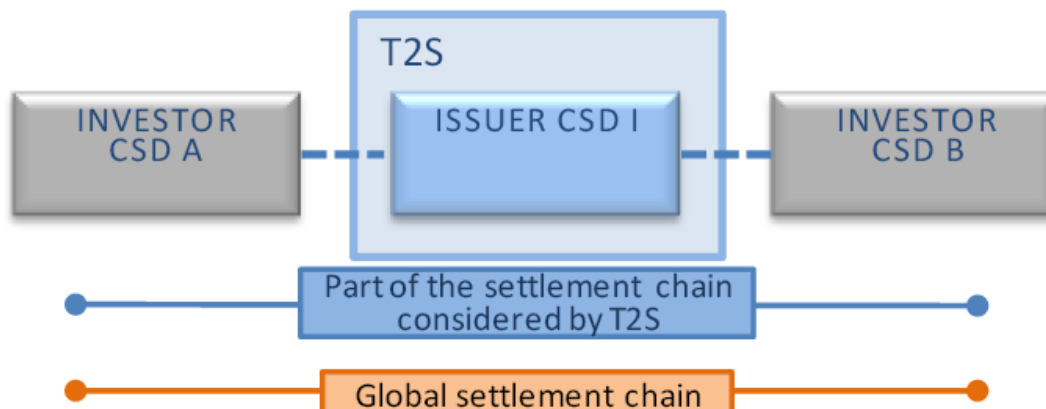
It implies:

- I Two investor CSDs A and B external to T2S with the issuer CSD I as technical issuer CSD and as Parent CSD in T2S of these external CSD;

- I The issuer CSD I in T2S.

In this scenario, no alternative link can be considered by T2S as the setup of alternative links is allowed only for T2S-in investor CSDs, pointing to a T2S-in technical issuer CSD.

DIAGRAM 31429 - SETTLEMENT CHAIN TWO INVESTOR CSDs EXTERNAL TO T2S AND ONE ISSUER CSD IN T2S



From the perspective of T2S, once the involved securities account existing in T2S are identified (see section [Securities accounts](#) [▶ [Error! Bookmark not defined.99](#)]), this scenario appears as a settlement between investors CSD A and CSD B as participants of CSD I.

The following business Settlement Instructions are received in T2S:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	CSD A (as CSDI part.)	Unknown	ISIN X	DELI	100	CSD B	Part B	CSD A	Part A
SIB	CSD B (as CSDI part.)	Unknown		RECE	100	CSD B	Part B	CSD A	Part A

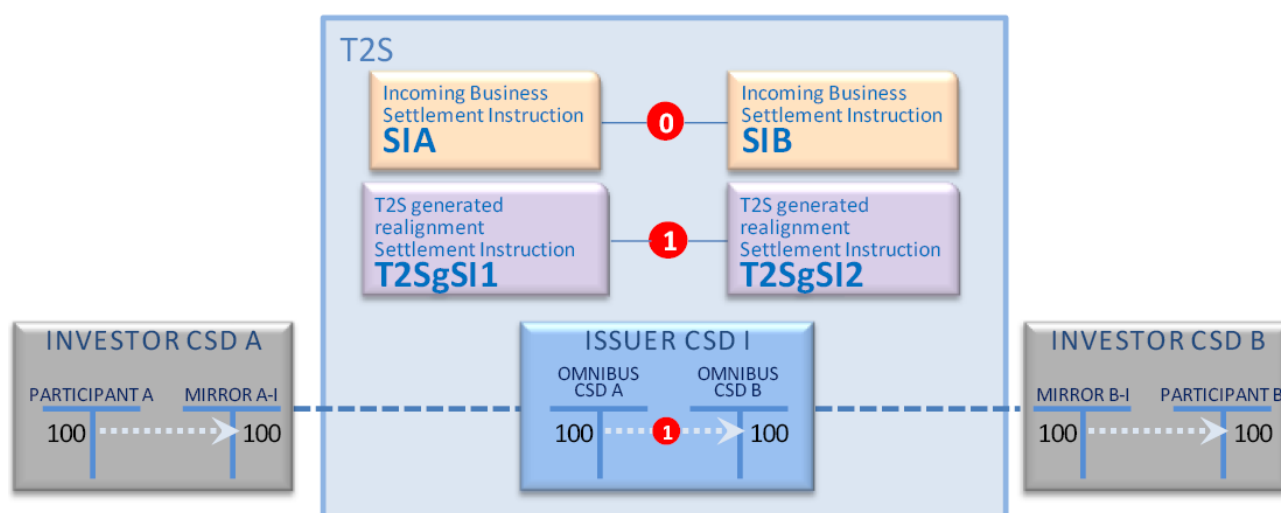
Both business Settlement Instructions indicate external securities accounts unknown in T2S. The realignment application process needs to identify the impacted securities account in T2S. Since CSD I in T2S is technical issuer for both external CSD A and external CSD B, the identified impacted securities accounts in T2S are the omnibus securities accounts. If the investor CSD A uses several omnibus securities accounts in its technical issuer CSD I, the external securities account indicated in SIA is then used to select the appropriate internal Omnibus account. If the investor CSD B uses several omnibus securities accounts in its technical issuer CSD I, the external securities account indicated in SIB is then used to select the appropriate internal Omnibus account.

The realignment application process then creates the following business Settlement Instruction:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI1	CSD A (as CSDI part.)	Omnibus CSD A	ISIN X	DELI	100	CSD I	CSD B		
T2SgSI2	CSD B (as CSDI part.)	Omnibus CSD B		RECE	100			CSD I	CSD A

Since receiving and delivering CSD are external, business Settlement Instruction SIA|SIB are involved only for the settlement of the cash leg if any. By consequence, the associated reporting presents some specificity as described above.

DIAGRAM 32130 - SETTLEMENT MOVEMENTS AND SETTLEMENT INSTRUCTIONS TWO INVESTOR CSDs EXTERNAL TO T2S AND ONE ISSUER CSD IN T2S



Scenarios – Both internal delivering and receiving Investor CSD, one issuer CSD in T2S and one external issuer CSD

These scenarios relate to external-CSD settlements with a global settlement chain starting in T2S and ending in T2S.

In such scenarios, the incoming business Settlement Instructions delivering from the investor CSD A to the investor CSD B have the following main characteristics:

I For the delivering:

- It is instructed by the delivering counterpart;
- It indicates a securities account existing in T2S;
- It is in relationship with the issuer CSD in T2S;

I For the receiving:

- It is instructed by the receiving counterpart;

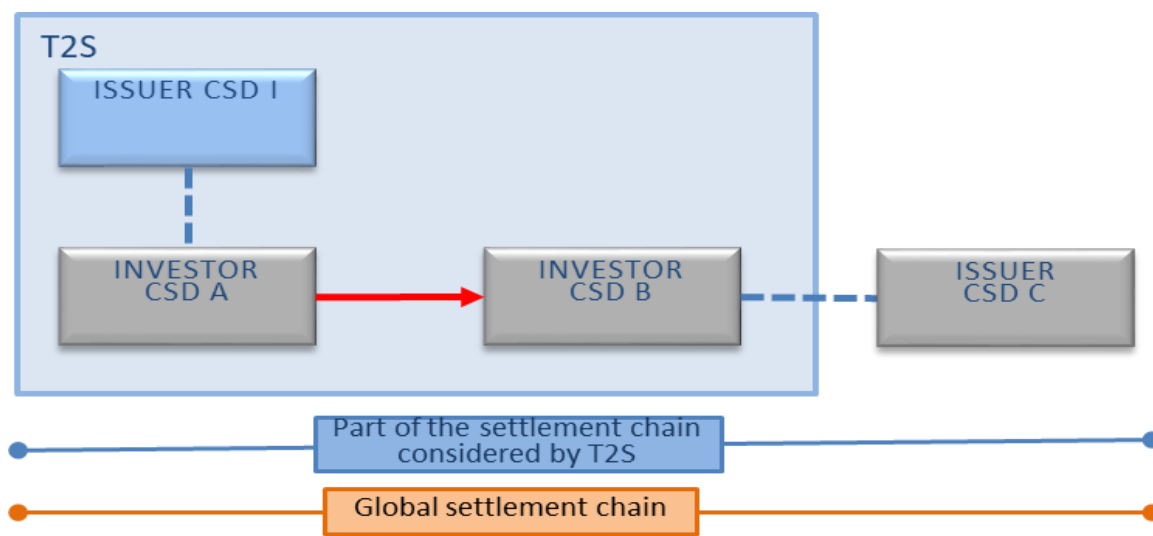
- It indicates a securities account existing in T2S;
- It is in relationship with an external issuer CSD.

EXAMPLE 16132 - RECEIVING INVESTOR CSD IN T2S, ONE ISSUER CSD IN T2S AND ONE EXTERNAL ISSUER CSD

This example describes the case of a settlement where participant A from investor CSD A in T2S is selling securities to participant B from investor CSD B in T2S as well and where:

- I The investor CSD A in T2S in relationship with the issuer CSD I in T2S;
- I The investor CSD B in T2S in relationship with an external issuer CSD C;
- I The issuer CSD I in T2S.

DIAGRAM 33131 - SETTLEMENT CHAIN RECEIVING INVESTOR CSD EXTERNAL TO T2S



From the perspective of T2S, this scenario appears as a settlement between:

- I Participant A which belongs to investor CSD A in T2S;
- I Participant B which belongs to investor CSD B in T2S;
- I The issuer CSD I as the technical issuer of the investor CSD A which owns an omnibus account at CSD I;
- I The external issuer CSD C is acting as the technical issuer of the investor CSD B in T2S which owns an omnibus account at the external issuer CSD.

It is an unconditional In/Out settlement since the issuer CSD is internal to T2S.

The following business Settlement Instructions are received in T2S:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD A	Part A

SIA and SIB are submitted to the realignment application process on external-CSD.

As the IN-T2S receiving investor CSD B is linked to the external issuer CSD C as its technical issuer CSD, the process identifies that the last delivering securities account in T2S is the inter-CSD securities account in CSD B.

In the case where only "Default" security CSD links are used:

The following T2S generated realignment Settlement Instructions are created:

- I One T2S generated realignment Settlement Instruction T2SgSI1 which credits the mirror account A-I in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD B	Part B		
T2SgSI1	CSD A	Mirror A-I		RECE	100			CSD A	Part A

- I Two created already matched (2) T2S generated realignment Settlement Instructions T2SgSI2 and T2SgSI3 between omnibus securities accounts in the issuer CSD I and the issuance account (due to the multi-issuance context, the CSD I in T2S and the external CSD C being both issuers on the security):

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI2	CSD A (as Part of CSD I)	Omnibus CSD A	ISIN X	DELI	100	CSD I	CSD I		
T2SgSI3	CSD I (as issuer CSD)	Issuance CSD I		RECE	100			CSD I	CSD A

- I One T2S generated realignment Settlement Instruction T2SgSI4 which debits the inter-CSD account B-C in the investor CSD B and is created already matched (3) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
T2SgSI4	CSD B (as Part of CSD C)	Inter-CSD B-C	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD B	CSD B

All T2S generated realignment Settlement Instructions carry automatically two links INFO providing the references of both business Settlement Instructions. They are all submitted on an all-or-none basis in the posting application process with the business Settlement Instructions.

In the case where "Alternative" security CSD link is used (green arrows on the diagram below):

The issuance account in the issuer CSD I will not be impacted due to the presence of an "alternative link".

The following T2S generated realignment Settlement Instructions are created:

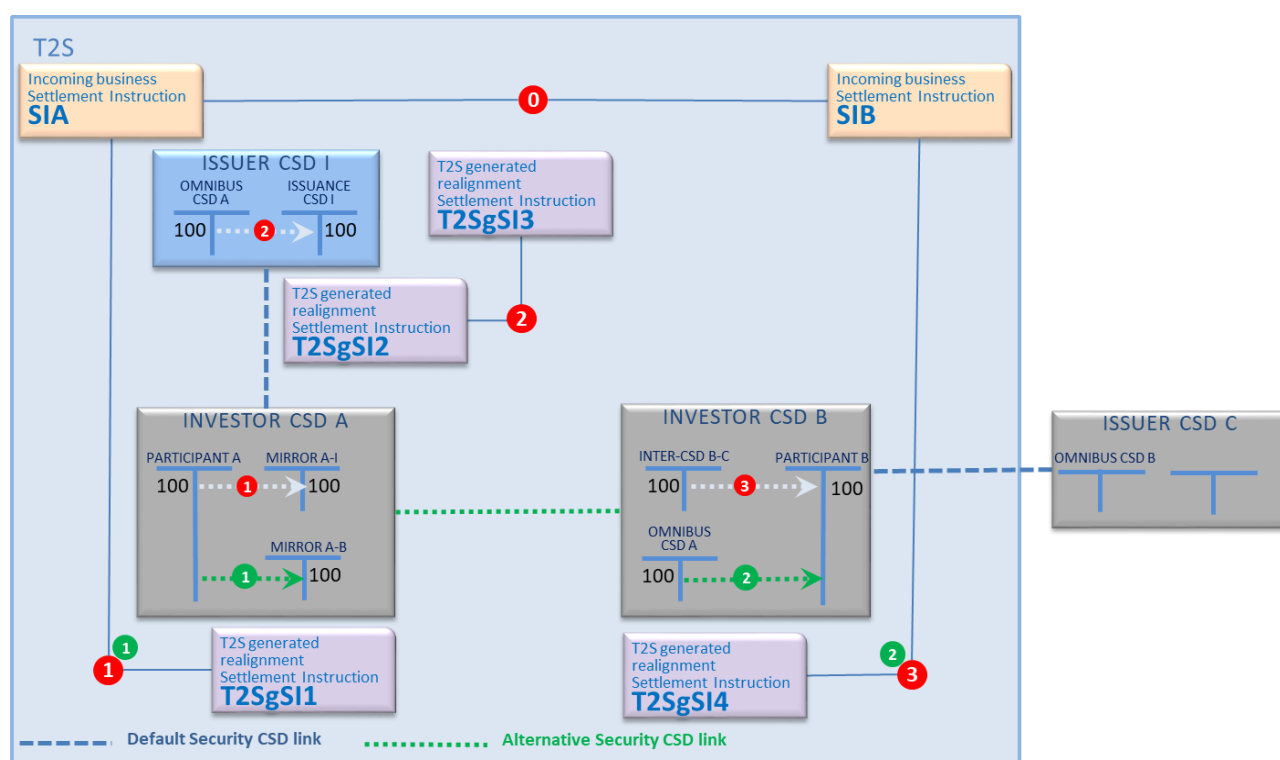
- I One T2S generated realignment Settlement Instruction T2SgSI1 which credits the mirror account A-B in the investor CSD A and is created already matched (1) with the business Settlement Instruction SIA debiting the participant A securities account:

OPE. ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLEMENT PARTIES		DELIVERING SETTLEMENT PARTIES	
						DEPOSITORY	PARTY	DEPOSITORY	PARTY
SIA	Part A	Part A S/A	ISIN X	DELI	100	CSD A	CSD A		
T2SgSI1	CSD A	Mirror A-B		RECE	100			CSD A	Part A

- I One T2S generated realignment Settlement Instruction T2SgSI2 which debits the omnibus account CSD A in the investor CSD B and is created already matched (2) with the business Settlement Instruction SIB crediting the participant B securities account:

OPE_ID	INSTRUCTS	SECURITIES ACCOUNT	ISIN CODE	SEC. MVT TYPE	QTY	RECEIVING SETTLE- MENT PARTIES		DELIVERING SETTLE- MENT PARTIES	
						DEPOSI- TORY	PARTY	DEPOSI- TORY	PARTY
T2SgSI2	CSD B (as Participant of CSD A)	Omnibus CSD A	ISIN X	DELI	100	CSD B	Part B		
SIB	Part B	Part B S/A		RECE	100			CSD B	CSD A

DIAGRAM 34132 - SETTLEMENT MOVEMENTS AND SETTLEMENT INSTRUCTIONS RECEIVING TECHNICAL ISSUER EXTERNAL to T2S



Realignment for T2S generated collateral Settlement Instructions

T2S creates T2S generated collateral Settlement Instructions, in order to move the collateral in due location, when implementing an auto-collateralisation or when relocating the collateral at end of day (See section [Auto-collateralisation](#) [► [Error! Bookmark not defined.424](#)]).

In such cases, T2S applies the realignment process described upfront for the cross-CSD settlement. T2S creates the relevant T2S generated realignment Settlement Instructions on the basis of the securities position impacted by the collateral process, their associated CSDs, and the associated links recorded in the reference data for these CSDs.

Realignment in case of revalidation

The potential applicable realignment chain is revalidated each settlement day for all revalidated Settlement Instructions.

If the revalidated Settlement Instructions are not already linked to existing T2S generated realignment Settlement Instructions, a new realignment chain analysis is performed as described above.

If the revalidated Settlement Instructions are already linked to existing T2S generated realignment Settlement Instructions, the detected realignment chain is revalidated against the reference data valid for the current settlement day:

- In case the realignment chain is unchanged, no additional actions are performed and the linked matched business Settlement Instructions and T2S generated realignment Settlement Instructions are recycled for the new settlement day;
- In case the realignment chain is different from the one previously detected:
 - If a Conditional Settlement already exist on at least one of the matched business Settlement Instructions and T2S generated realignment Settlement Instructions, all of them are cancelled (See section [Conditional Settlement](#) [▶ [Error! Bookmark not defined.504](#)]);

If no Conditional Settlement exist when the analysis is done, the existing T2S generated realignment Settlement Instructions are cancelled and new T2S generated realignment Settlement Instructions are created according to the realignment chain applicable for the current settlement day as described above.

1.1.1.1.4 Parameters Synthesis

The following parameters are specified by the T2S Operator or by the T2S Actor (See section [Configuration of Securities CSD Links](#) [▶ [Error! Bookmark not defined.80](#)]).

CONCERNED PROCESS	PARAMETER	CREATED BY	UPDATED BY	MANDATORY/ OPTIONAL	POSSIBLE VALUES	STANDARD OR DEFAULT VALUE
Cross and External CSD settlement	CSD Links	T2S Actor	T2S Actor	M	N/A	N/A
Cross and External CSD settlement	CSD Accounts links	T2S Actor	T2S Actor	M	N/A	N/A
Cross and External CSD settlement	Eligible counter-parts CSD	T2S Actor	T2S Actor	M	N/A	N/A