



Standards

Standards MT Release 2020– Fast Track

Discussion paper and Minutes

Settlement and Reconciliation

Distribution: Settlement & Reconciliation Maintenance Working Group

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1 Introduction

Maintenance working group members:	Representing:	Present
Hiroaki Okumura Mitsubishi bank	Japan	Answer by mail
Annemie Loose/Quentin de Saint-Aubert – Euroclear	ICSD	X
Jason Brasile – Statestreet	United States of America	-
Robin Leary – Citibank	United Kingdom	X
Denis Andrejew – DB	Germany	X
Ton Van An del – ABN Amro	Netherlands	X
Stephan Schuetter – UBS	Switzerland	X
Jennifer Chan– HSBC	Honk Kong	X
Veerle MinJauw - KBC	Belgium	X
Axelle Wurmser – BNP Paribas	France	X
Arnaud Jochems – Clearstream	ICSD / Luxembourg	X

1.1 FastTrack Maintenance Timeline

Fast-track is an exceptional maintenance process, that is, it will not occur on an annual basis and will only be activated when a change request meets all the eligibility criteria. As it is an exceptional maintenance process, fast-track is not included in the annual Standards MT Release maintenance timeline. If a change request meets the fast-track requirements, it will follow this timeline:



01 December (SR-11)	Deadline for F-T eligible change request
1 st week December ((SR-11)	Preliminary MWG consultation
2 nd week December (SR-11)	Board approves activation of F-T process
mid-December (SR-11)	Distribute discussion paper to MWG
3 rd week December (SR-11)	F-T High-level Information
3 rd week January (SR-10)	MWG meeting
3 rd week Feb (SR-9)	Country voting deadline for returns
2 nd week March (SR-8)	Board ratifies country vote
end March (SR-7)	F-T SRG and F-T MFVR
1 st week May (SR-6)	Vendor Test System
4 th week July (SR-4)	User Handbook Online
4 th week July (SR-4)	Test & Training
3 rd /4 th weekend November (SR)	Standards MT Release Live

2 Overview of User Change requests

2.1 CR 001614: Add qualifiers for CSD-R buy-ins

Origin of request	
Requesting Group:	AFME
Sponsors	
AFME	
Message type(s) impacted	
MT 530, sese.030	
Complies with regulation	
<p>- Regulation (EU) no 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("EU CSD-Regulation").</p> <p>- Delegated Regulation (DR) 2018/1229, supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on the settlement discipline regime (SDR).</p> <p>RTS: Regulatory Technical Standard, which are endorsed by the European Commission by means of a delegated act supplementing an EU Regulation or a Directive</p> <p>- Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories</p> <p>- Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards with regard to standard forms, templates and procedures for authorisation, review and evaluation of central securities depositories, for the cooperation between authorities of the home Member State and the host Member State, for the consultation of authorities involved in the authorisation to provide banking-type ancillary services, for access involving central securities depositories, and with regard to the format of the records to be maintained by central securities depositories in accordance with Regulation (EU) No 909/2014 of the European Parliament and of the Council</p>	
Business impact of this request	
MEDIUM	
Commitment to implement the change	
<p>Number of messages sent and received:</p> <p>Percentage of messages impacted:</p> <p>Commits to implement and when: AFME members who are direct or indirect users of EU- authorised central securities depositories.</p>	

Business context

Article 31.4 of the RTS on SDR states:

"The receiving trading party shall notify the results of the buy-in to the failing trading party at the latest on the last business day of the applicable period determined in accordance with Article 37. The receiving trading party shall ensure that the relevant CSD receives the information notified without undue delay."

Note that similar language applies for CCP-cleared and on-venue transactions, please refer to Articles 27.4 and 29.4

This places a requirement on all parties in the settlement chain to communicate information regarding a buy-in/cash compensation from the trading party through to the (I)CSD. The following details are required:

1. Buy-in status (successful, partial or unsuccessful)
2. Deferral Flag (Y or N)
3. Cash compensation flag (Y or N)
4. Value/price of bought in securities
5. Cash compensation amount

Our request is to modify the existing MT530 / Sese.030 message to allow the chain of participants to notify the buy-in results linked to a failing transaction:

- Structured message which allows for harmonization & STP
- Existing message already used by (I)CSD clients
- Rationale of the message: update processing parameters of an already existing instruction, without altering that instruction

We note that a similar change was unilaterally withdrawn by Euroclear Group. However, given;

- a) the high number of anticipated mandatory buy-ins under CSDR;
- b) the lack of any detailed alternative proposal for the communication of the buy-in results;

AFME members believe there is a clear need for this change request to be fast-tracked, allowing for an automated means for market participants to communicate the necessary information at the time that CSDR Settlement Discipline Regime enters into force (which we understand is likely to be delayed until after the November 2020 SWIFT release)

Nature of change

Preferred solution is the implementation of new qualifiers, enabling a harmonized approach across markets.

For example MT530 (similar approach requested for sese.030):

1/ Buy-in processing indicator:

New qualifier in 22F for reporting Buy-in processing indicator with three new codes (e.g. BYST):

- successful, e.g. BSSY
- unsuccessful, e.g. BSSN
- partially successful, e.g. BSSP

2/ Deferral indicator

New qualifier in 22F for reporting if the unsuccessful buy-in was deferred (e.g. BDEF) with two new codes:

- buy-in deferred, e.g. DEFY
- buy-in not deferred, e.g. DEFN

3/ Cash compensation initialization indicator

New qualifier in 22F for cash compensation indicator (e.g. CACC) with two new codes:

- cash compensation payment, e.g. BCCY
- no cash compensation payment, e.g. BCCN

4/ Cash compensation amount:

field :19A: with a 4 char qualifier, e.g. CCAM

5/ Quantity of securities bought in

:36B: with a 4 char qualifier, e.g. BYIY

6/ Value of the securities bought in

:19A: with a 4 char qualifier, e.g. BYIY

7/ Network validated rules (e.g. if BSSY, BSSN, BSSP or BCCY, at least 1 sequence C must be present)

Examples

1. Failing transaction reaches the end of its extension period. Failing receiving trading party initiated the buy-in. The buy-in has settled successfully for the full amount.

=> MT 530 example:

:22F::BYST//BSSY

:36B::BYIY//FAMT/1000,

:19A::BYIY//EUR1100,

2. Failing transaction reaches the end of its extension period. Failing receiving trading party initiated the buy-in. The buy-in cannot be initiated and a cash compensation has settled.

=> MT 530 example:

:22F::BYST//BSSN

:22F::CACC//BCCY

:36B::CACC//FAMT/1000,

:19A::CCAM//EUR1200,

3. Failing transaction reaches the end of its extension period. Failing receiving trading party initiated the buy-in. The buy-in settled partially and a cash compensation was paid for the outstanding amount

=> MT 530 example:

:22F::BYST//BSSP

:22F::CACC//BCCY

:36B::CACC//FAMT/600,

:19A::CCAM//EUR600,

:36B::BYIY//FAMT/400,

:19A::BYIY//EUR450,

4. Failing transaction reaches the end of its extension period. Failing receiving trading party defers the buy-in. The buy-in has been deferred.

:22F::BYST//BSSN

:36B::BDEF//FAMT/1000,

5. Failing transaction reaches the end of its extension period. Failing receiving trading party initiated the buy-in. The buy-in settled partially and a cash compensation was paid for part of the remaining quantity and the outstanding portion was deferred.

=> MT 530 example:

:22F::BYST//BSSP

:22F::CACC//BCCY

:36B::CACC//FAMT/600,

:19A::CCAM//EUR600,

:36B::BYIY//FAMT/350,

:19A::BYIY//EUR450,

:36B::BDEF//FAMT/50

Standards Illustration

ISO15022 illustration – Updated Post MWG

----> Optional Repetitive Sequence C Additional Information						
M	16R			Start of Block	ADDINFO	17
O	20C	ACOW	Reference	Account Owner Transaction Identification	:4!c//16x	18
O	12A	CLAS	Type of Financial Instrument	Classification Type	:4!c/[8c]/30x	19
O	97a	SAFE	Account	Safekeeping Account	A, B	20
O	35B			Identification of the Financial Instrument	[ISIN1!e12!c] [4*35x]	21
---->						
O	36B	4!c	Quantity of Financial Instrument	(see qualifier description)	:4!c//4!c/15d	22

O	19A	4!c	Amount	(see qualifier description)	:4!c//[N]3!a15d	23

---->						
O	98a	4!c	Date/Time	(see qualifier description)	A, C	24

O	17B	BYIY	Flag	Buy In	:4!c//1!a	25
---->						
O	95a	4!c	Party	(see qualifier description)	P, Q, R	26

10. Field 22F: Indicator

FORMAT

Option F :4!c[8c]4!c (Qualifier)(Data Source Scheme)(Indicator)

PRESENCE

Mandatory in mandatory sequence B

QUALIFIER

(Error code(s): T89)

Order	M/O	Qualifier	R/N	CR	Options	Qualifier Description
1	O	BORR	N	C2	"F"	Automatic Borrowing Indicator
2	O	CONP	N	C2	"F"	Retain Indicator
3	O	LINK	N	C2	"F"	Linking Indicator
4	O	MTCH	N	C2	"F"	Matching Deny Indicator
5	O	PRIR	N	C2	"F"	Priority Indicator
6	O	PROC	R	C2	"F"	Processing Indicator
7	O	PRTL	N	C2	"F"	Partial Settlement Indicator
8	O	RTGS	N	C2	"F"	Securities Real-Time Gross Settlement Indicator
9	O	SETT	N	C2	"F"	Settlement Process Indicator
10	O	SPLT	N	C2	"F"	Unilateral Split Processing Indicator
11	O	BYIY	N		"F"	BuyIn Indicator
12	O	BYIC	N		"F"	Cash Compensation Indicator
13	O	BDEF	N		"F"	Deferral Indicator

DEFINITION

This qualified generic field specifies:

BORR	Automatic Borrowing Indicator	Specifies whether automatic borrowing needs to take place to achieve settlement.
BYIC	Cash Compensation Indicator	Cash Compensation Amount
BYIY	BuyIn Indicator	BuyIn Indicator
CONP	Retain Indicator	Specifies whether a failed instruction due to expire should be retained.
BDEF	Deferral Indicator	Deferral indicator - NEED GOOD DEFINITION

CODES

If Qualifier is "BYIY" and Data Source Scheme is not present, "Indicator" must contain one of the following codes (Error code(s): K22):

BSSY	Buyin Successful	Buyin Successful
BSSN	Buyin Unsuccessful	Buyin unsuccessful
BSSP	Buyin Partially Successful	Buyin partially successful

CODES

If Qualifier is "BDEF" and Data Source Scheme is not present, "Indicator" must contain one of the following codes (Error code(s): K22):

DEFY	Buy-in deferred	Buy-in deferred
DEFN	Buy-in not deferred	Buy-in not deferred

23. Field 19A: Amount

FORMAT

Option A :4!c/[N]3!a15d (Qualifier)(Sign)(Currency Code)(Amount)

PRESENCE

Optional in optional sequence C

QUALIFIER

(Error code(s): T89)

Order	M/O	Qualifier	R/N	CR	Options	Qualifier Description
1	O	CCAM	N		"A"	Cash Compensation Amount
2	O	MBFI	N		"A"	Number of Miles Bought In

DEFINITION

This qualified generic field specifies:

CCAM	Cash Compensation Amount	Cash Compensation Amount
MBFI	Number of Miles Bought In	Number of Miles Bought In

ISO20022 illustration – Updated Post MWG

N/A

SWIFT Comment

Comment from HK:

“Regarding the example number 5 on page 8, which describes that after a partial buy-in Cash Compensation and Deferral are applicable, however it can only be either/or, not both.”

Comment from Japan:

“We understand this CR is based on CSDR and agree it is necessary in order to align with the regulation. On the other side, it is important to minimize impact to current ISO structure/market practices since at this point non-CSDR entities are not subject to use the codes/field as mandatory.”

Working Group Meeting

Discussion

During the MWG, some slides with the flow were presented. The future flow was discussed and the following decisions were unanimously approved :

1. The group agreed on the addition of an OPTIONAL Buy-in process indicator with a new qualifier “BYST” (in field 22F of sequence B) for reporting Buy-in processing indicator with three new codes :

- successful “BSSY”
- unsuccessful “BSSN”
- partially successful “BSSP”

2. The group agreed on the addition of an OPTIONAL Deferral indicator, a new qualifier “BDEF” (in field 22F of sequence B) for reporting if the unsuccessful or partially successful buy-in was deferred with two new codes:

- buy-in deferred “DEFY”
- buy-in not deferred “DEFN”

3. The group **REJECTED** the addition of a Cash compensation initialization indicator.

4. The group agreed on the addition of an OPTIONAL Cash compensation amount, field 19A: with qualifier “**BCAM**” (**updated from the original CR**)

5. The group **REJECTED** the addition of a new qualifier for the quantity of securities bought-in.

The current SETT will be used.

6. The group agreed on the addition of an OPTIONAL Price of the securities bought in, field 90B: with qualifier "BYIY"

7. The group REJECTED the addition any Network validated rules

For the ISO20022 message sese.030, the group expressed that due to the fact that only a limited number of institutions are able to received and process the sese.030, for the buy-in purpose, and also due to the fact that adding those fields in the message doesn't fit in the current scope of this message, it was decided that the message will not be updated.

The additional fields will be structured into the supplementary data block, without validation.

Developing a new/dedicated ISO 20022 message for this purpose is also possible, but will be evaluated with the community outside of this meeting and outside of the maintenance process.

Decision

ACCEPTED WITH CHANGE

2.2 CR 001615: New fields for follow-up of buy-in process

Origin of request	
Requesting Group:	AFME
Sponsors	
AFME	
Message type(s) impacted	
MT 537, MT 548, semt.018, sese.024	
Complies with regulation	
<p>Regulation (EU) no 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("EU CSD-Regulation").</p> <p>Delegated Regulation (DR) 2018/1229, supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on the settlement discipline regime (SDR)2.</p> <p>RTS: Regulatory Technical Standard, which are endorsed by the European Commission by means of a delegated act supplementing an EU Regulation or a Directive</p>	
Business impact of this request	
<p>low</p> <p>Optional new fields that are only relevant in the CSDR context.</p>	
Commitment to implement the change	
<p>Number of messages sent and received:</p> <p>Percentage of messages impacted:</p> <p>Commits to implement and when: AFME members who are direct or indirect users of EU-authorized central securities depositories.</p>	
Business context	
<p>This functionality will allow the update of the results of a buy-in versus the original failing transaction. As the buy-in trades could take place in tranches (partial buy-in process), CSD participants should be able to update the buy-in results and the current state of the transaction.</p> <p>The MT530 message will be used to amend the original instruction, using the same fields as described in the CR 1. The MT537 is used to provide reporting on pending instructions, the same fields as introduced in the MT 530 should also be available in the MT537 to allow for the reporting.</p>	

Nature of change

The following fields should be added to the message in sequences B2b Transaction Details and C2 Transaction Details:

Cash compensation amount:

field :19A: with a 4 char qualifier, e.g. CCAM

Quantity of securities bought in

:36B: with a 4 char qualifier, eg BYIY

Value of the securities bought in

:19A: with a 4 char qualifier, e.g. also BYIY

New qualifier in 22F for reporting Buy-in processing indicator with three new codes (e.g. BYST):

- successful, e.g. BSSY
- unsuccessful, e.g. BSSN
- partially successful, e.g. BSSP

New qualifier in 22F for cash compensation indicator (e.g. CACC) with two new codes:

- cash compensation payment, e.g. BCCY
- no cash compensation payment, e.g. BCCN

The same fields are needed in the MT548, in sequence B Settlement Transaction Details.

Workaround

If no structured fields exist, the relevant information will be reported in the narrative fields in the message.

Examples

1. Failing transaction reaches the end of its extension period. The failed-to trading party initiated the buy-in. The buy-in has settled successfully for the full amount. The failed-to trading party updates the settlement instruction using the MT530 message

=> MT530 example:

:22F::BYST//BSSY

:36B::BYIY//FAMT/1000,

:19A::BYIY//EUR1100,

The CSD informs the party of this update using an MT537 with as fields:

:22F::BYST//BSSY

:36B::BYIY//FAMT/1000

:19A::BYIY//EUR1100,

2. Failing transaction reaches the end of its extension period. The failed-to trading party initiated the buy-in. The buy-in is not successful and a cash compensation has settled. The party sends an MT530 to update the instruction with the following fields:

=> MT530 example:

:22F::BYST//BSSN

:22F::CACC//BCCY

:19A::CCAM//EUR1200,

The CSD informs the party of this update using an MT537 with as fields:

:22F::BYST//BSSN

:22F::CACC//BCCY

:19A::CCAM//EUR1200,

3. Failing transaction reaches the end of its extension period. The failed-to trading party initiated the buy-in. The buy-in settled partially and a cash compensation was paid for the outstanding amount. The party sends an MT530 to update the instruction:

=> MT530 example:

:22F::BYST//BSSP

:22F::CACC//BCCY

:19A::CCAM//EUR600,

:36B::BYIY//FAMT/400,

:19A::BYIY//EUR450,

The CSD confirms the update by sending an MT537 with the following information

:22F::BYST//BSSP

:22F::CACC//BCCY

:19A::CCAM//EUR600,

:36B::BYIY//FAMT/400,

:19A::BYIY//EUR450,

Standards Illustration – Updated Post MWG

n/a

SWIFT Comment

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Working Group Meeting

Discussion
Initially the CR was introduced to support some requirements for the UK market. Since the CSD Regulation is in the meantime more accurate, there is no need to have this CR implemented. Therefore the group agreed to reject it.
Decision
REJECTED

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