CSD REGULATION (CSDR) WORKSHOP

Record Keeping Transactions

Settlement Discipline

22/11/2018

INTERBOLSA

A EURONEXT COMPANY

AGENDA

1 Introdução

2 *Record Keeping Transactions* - Impacto no mercado

3 *Settlement Discipline* - Ponto de situação

a) Regulatory Technical Standards:

i) Medidas destinadas a prevenir a ocorrência de falhas de liquidação

ii) Medidas destinadas a fazer face às falhas de liquidação

iii) Sanções pecuniárias (*Cash Penalties*) / Recompras (*Buy-Ins*)

b) ECSDA Single Settlement Fails Penalties Framework

c) T2S *Penalty Mechanism*

4 Próximos Passos

RECORD KEEPING TRANSACTIONS: IMPACTO NO MERCADO

RECORD KEEPING TRANSACTIONS – IMPACTO NO MERCADO

Serão disponibilizados os *timestamps* SF1, SF2 e SF3 nos seguintes *outputs*:

SF - *Settlement Finality*

***Timestamp*:**
SF3 (*settlement*)

- ✓ MT508, MT536, MT538, MT544, MT545, MT546, MT547
- ✓ SLRTqryS
- ✓ SLRT, EXCH, MVI, GRT, LOE, SFI, SGE (*)
- ✓ SLRT-RES, EXCH-RES, LOE-RES, MVI-RES, GRT-RES, SFI-RES, SGE-RES, LIQ-RES

***Timestamp*:**
SF1 (*accepted*)
SF2 (*matched*)

Para os **DCPs**:

- ✓ *Settlement instructions*: sese.024, sese.032, semt.017, semt.018
- ✓ *Settlement restrictions*: semt.014, semt.016, semt.034

Para os **ICPs** (via STD):

- ✓ SLRTqryS
- ✓ SLRT, EXCH, MVI, GRT , LOE, SFI, SGE (*)
- ✓ SLRT-PND, EXCH-PND, LOE-PND, MVI-PND, SFI-PND, SGE-PND, LIQ-RES

(*) Será difundido o *timestamp* associado ao último estado (NMAT/PACK, MACH, SETT)

RECORD KEEPING TRANSACTIONS – IMPACTO NO MERCADO

Transaction Type Code
(ISO Transaction Code)

A Interbolsa disponibilizará o ***Transaction type code***:

✓ **PORT** (*Portfolio Movement or Portfolio Transfer*):
Transferência de carteira de títulos de um banco depositário (participante) para outro, em nome do seu cliente

O T2S disponibilizará um novo ***Transaction type code:***

✓ **BIYI** (*Buy-in transaction*)

Cash Account Identifier

A ***Dedicated Cash Account*** **(DCA)** será informada na confirmação da Liquidação (estado SETT), nos seguintes *outputs*:

✓ STD - SLRT-RES, EXCH-RES, LOE-RES, LIQ-RES, SLRT, EXCH, LOE, SFI, SGE
✓ SWIFT- MT544-547, MT536

Status of settlement instructions
*Failing instruction - **PENF***

O T2S disponibilizará um novo estado - **PENF** - para as instruções que não liquidem na data de liquidação contratada (ISD) - estado no final do dia de liquidação, nos seguintes *outputs*:

✓ Para os **DCPs**: sese.024; semt.018

✓ Para os **ICPs**:
- STD – SLRT, SLRT-PND, EXCH, EXCH-PND, MVI, MVI-PND
- SWIFT - MT548, MT537

RECORD KEEPING TRANSACTIONS – IMPACTO NO MERCADO

Place of Trading

✓ Será disponibilizado um novo campo para identificação do ***"Place of Trading"*** através do MIC - "*Market Identifier Code*"

https://www.iso20022.org/10383/iso-10383-market-identifier-codes

✓ Mantém-se o campo atual "*Place of Trading* ", com o *type code* (EXCH, OTCO, PRIM, SECM, VARI)

✓ O novo campo será implementado:

- Nos *inputs*:
  - STD – SLRTfile, SLRTmsg, EXCHfile, EXCHmsg
  - SWIFT (ISO 15022) – MT540-543
- Nos *outputs*:
  - STD - SLRT, SLRT-PND, SLRT-RES, LIQ-RES, EXCH, EXCH-PND, EXCH-RES
  - SWIFT (ISO 15022) – MT544-548, MT536-537

✓ A **lista** dos códigos MIC será disponibilizada no Portal da INTERBOLSA

RECORD KEEPING TRANSACTIONS – IMPACTO NO MERCADO

Place of Clearing

✓Será disponibilizado no SLrt um novo campo - "***Place of Clearing***", para a inclusão do código BIC da CCP

✓ O novo campo será implementado:

- Nos *inputs*:
  - STD – SLRTfile, SLRTmsg, EXCHfile, EXCHmsg
  - SWIFT (ISO 15022) – MT540-543
- Nos *outputs*:
  - STD - SLRT, SLRT-PND, SLRT-RES, LIQ-RES

Atualmente já é disponibilizado via SWIFT (ISO 15022) e nos seguintes outputs de STD: EXCH, EXCH-PND, EXCH-RES

RECORD KEEPING TRANSACTIONS – IMPACTO NO MERCADO

Calendário de Migração

2019

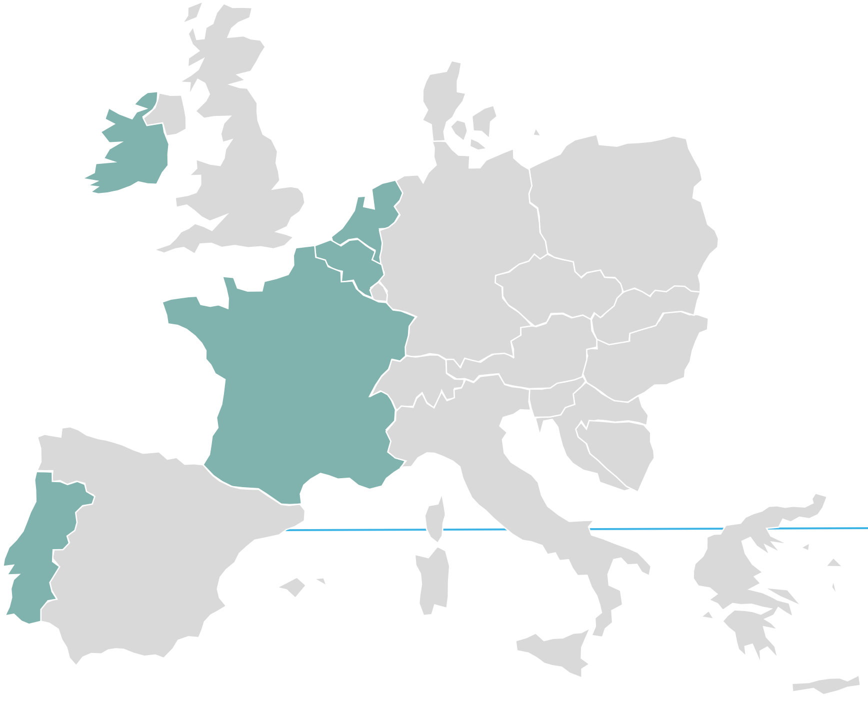
junho

novembro

- *ISO Transaction code* - **PORT e BIYI** (BIYI: CR-607)
- ***Timestamp*** - **SF3**
- ***Timestamps*** - **SF1 e SF2** (CR-600)
- *Cash account identifier* - **DCA**

- *Status of settlement instructions* - **PENF** (CR-609)
- ***Place of Trading*** - código **MIC** (CR-606) *
- ***Place of Clearing*** - código **BIC CCP** (CR-606) *

* Apesar do *Change Request* CR-606 só migrar para produção em novembro de 2019 (T2S *Release* 3.2), prevê-se a adaptação antecipada dos inputs/outputs da Interbolsa em junho 2019.



SETTLEMENT DISCIPLINE

SETTLEMENT DISCIPLINE (REGULATORY TECHNICAL STANDARDS)

Regulatory Technical Standards / T2S Penalty Mechanism

Data	Descrição
02/02/2016	ESMA submete os RTSs sobre Settlement Disipline à CE
25/05/2018	Adoção pela CE dos RTSs relativos à Settlement Discipline
13/09/2018	Publicação no JO dos RTSs relativos à Settlement Discipline
13/09/2020	Entrada em vigor dos RTSs relativos à Settlement Discipline
Novembro/2020	Entrada em produção do T2S Penalty Mechanism

SETTLEMENT DISCIPLINE (REGULATORY TECHNICAL STANDARDS)

MEDIDAS DESTINADAS A PREVENIR A OCORRÊNCIA DE FALHAS DE LIQUIDAÇÃO:

✓ Facilitadores do processo de liquidação:

Matching	Níveis de tolerância
Cancelamento	Mecanismo de *Hold & Release*
Reciclagem	Liquidação parcial
Informação	

✓ Derrogação – medidas para prevenir falhas de liquidação:

Mecanismo de *Hold & Release*	Liquidação Parcial

SETTLEMENT DISCIPLINE (REGULATORY TECHNICAL STANDARDS)

MEDIDAS DESTINADAS A FAZER FACE ÀS FALHAS DE LIQUIDAÇÃO:

- ✓ Controlo de Falhas de Liquidação:

Motivo (informação CSD)	Existência de restrições à liquidação
Tipo de instrumento financeiro	Tipo de transação
Place of Trading /Place of Clearing	Tipo de instrução
Tipo de conta	Moeda

- ✓ Acordos com Participantes nos SSS para aferir principais motivos das falhas de liquidação;
- ✓ Comunicação das falhas de liquidação;
- ✓ Divulgação pública de informações sobre falhas de liquidação.

SETTLEMENT DISCIPLINE (REGULATORY TECHNICAL STANDARDS)

MEDIDAS DESTINADAS A FAZER FACE ÀS FALHAS DE LIQUIDAÇÃO:

✓ **BUY-INS:**

- Transações compensadas através de uma CCP
- Transações não compensadas através de uma CCP e executadas numa plataforma de negociação
- Transações não compensadas através de uma CCP e não executadas numa plataforma de negociação
- Cálculo e pagamento da indemnização pecuniária, dos custos da recompra e da correspondente diferença de preços
- Calendários aplicáveis ao procedimento de recompra

✓ **Falha Sistemática na entrega de valores mobiliários**

SETTLEMENT DISCIPLINE (REGULATORY TECHNICAL STANDARDS)

MEDIDAS DESTINADAS A FAZER FACE ÀS FALHAS DE LIQUIDAÇÃO:

- ✓ **Cash penalties:**
  - Cálculo e aplicação
  - Cobrança e redistribuição
  - Custos do regime sancionatório
  - Regime sancionatório nos casos em que o participante é uma CCP
  - CSDs que utilizam uma infraestrutura de liquidação comum
- ✓ **Divulgação pública de informações sobre as falhas de liquidação**

SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

(not finalized)

To whom the ECSDA Framework will apply?

Objective:
Harmonisation of rules and procedures. Focuses on the penalties related questions of the settlement discipline regime of the CSDR

Principles to be applied by all EU CSDs:

- ✓ Provision of a cash penalty mechanism;
- ✓ Cash Penalties:
  - Daily calculated, after intended settlement date (ISD) until the actual settlement or cancellation;
  - Apply to: matched settlement instruction (free or against payment) that fails to settle after its ISD; including Hold instructions and late matching fails.

- **Daily information to Participants**
- **Collection before redistribution**
- **Special situation of the CCPs**
- **Penalties not a revenue source for the CSD**
- **Redistribution of the penalties collected to the participant that suffered from the fail at least on a monthly basis**

SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

ECSDA FRAMEWORK STRUCTURE

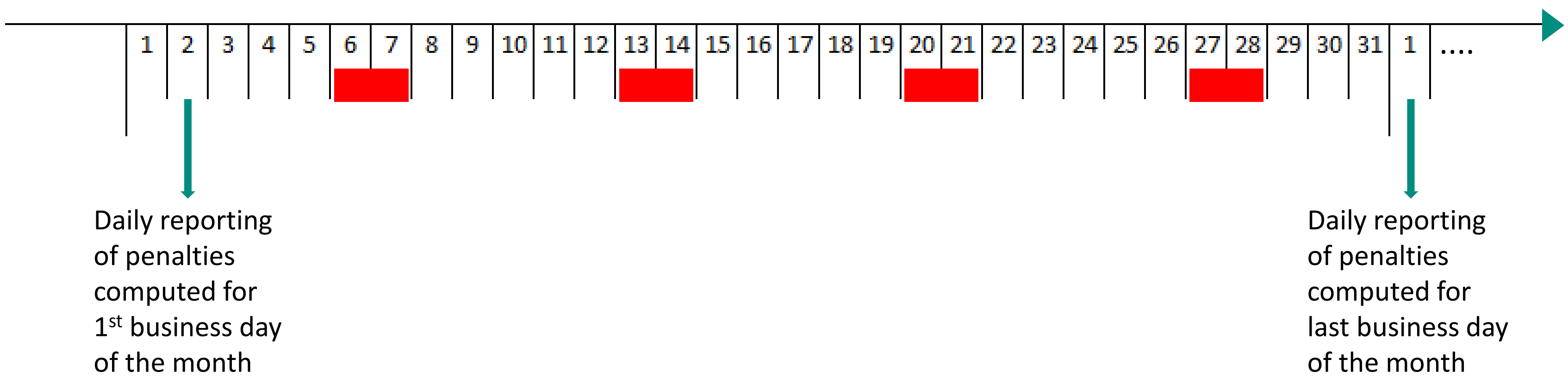
1. ECSDA CSDR Penalties Framework key considerations	5. Reference/ Static data required for penalty calculations	9. Cross-CSD settlement fails
2. Penalties Lifecycle and Business Days Calendar	6. Penalties Currencies Conversions Scenarios	10. Collection & Redistribution of Penalties (Payment)
3. Penalties Scope	7. Calculation methods of the cash penalties	11. Reporting
4. Identification of the party to be penalised	8. Changes to previously calculated cash penalties	12. Miscellaneous

SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

Penalties Lifecycle and Business Days Calendar

- Business Days
- Daily calculations / Daily reporting

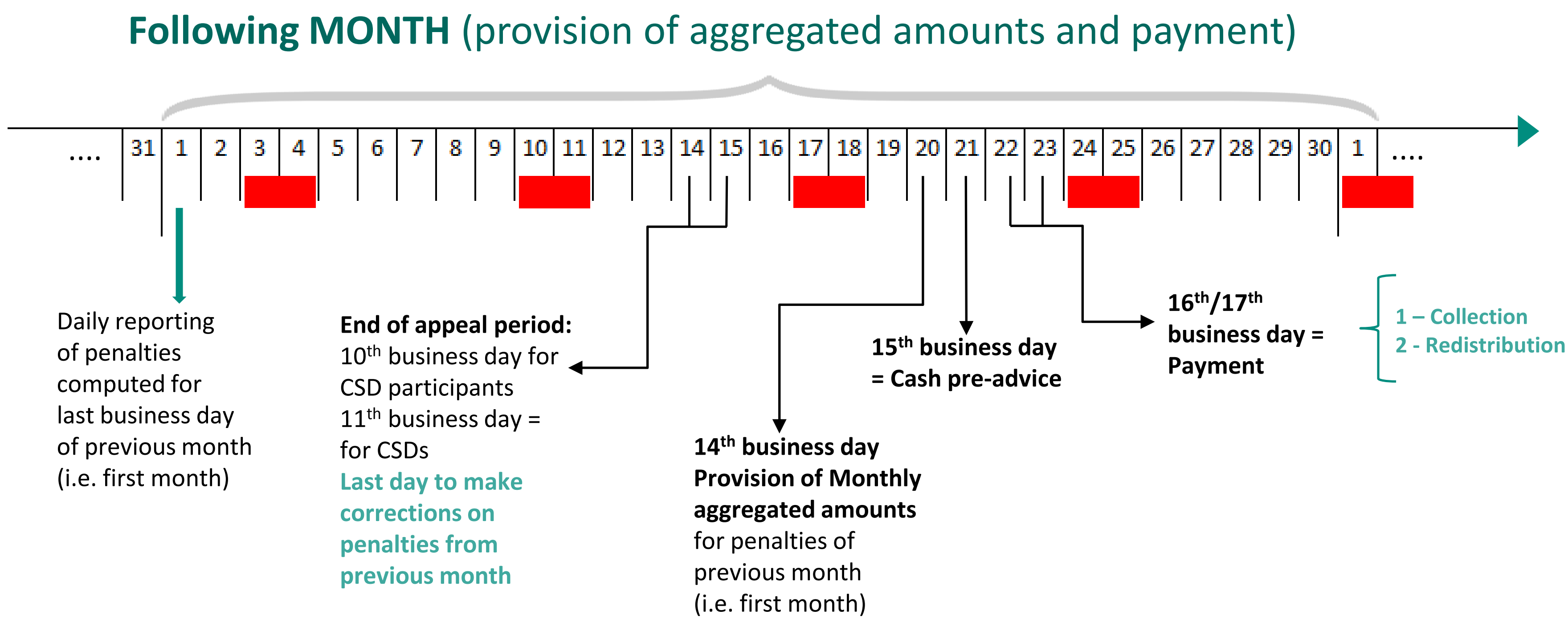
First MONTH (computation and reporting of penalties)



SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

Penalties Lifecycle and Business Days Calendar:

- Monthly events / Monthly appeal / Monthly Aggregated amounts



- Monthly payment
  - Collection & redistribution (CCPs are excluded)

SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

PENALTIES SCOPE:

- Instructions subject to cash penalties
- Instruments subject to cash penalties

IDENTIFICATION OF THE PARTY TO BE PENALIZED:

- Late matching fail penalty (LMFP)
- Settlement fail penalty (SEFP)

SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

REFERENCE / STATIC DATA REQUIRED FOR PENALTY CALCULATIONS:

- Instruments subject to penalties
- Daily reference price
- Instrument type
- Instrument Liquidity/Illiquidity classification (applies to shares ("SHRS")
- Instrument trading segment ("SME Growth Market")
- Penalty rate
- Central bank discount rate (penalties due to lack of cash)
- Foreign exchange (FX) rates

CURRENCIES CONVERSIONS:

- Against payment transactions
- Free of payment transactions

SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

CALCULATION METHODS OF THE CASH PENALTIES:

- Settlement fail penalty (SEFP)
- Late matching fail penalty (LMFP)
- Daily cash penalties aggregate
- Monthly cash penalties aggregation
- Calculation of the monthly amount to be paid /to be received

CHANGES TO PREVIOUSLY CALCULATED CASH PENALTIES:

- Removal of existing penalties
- Re-inclusion of a previously removed penalty
- Update of existing penalties

SETTLEMENT DISCIPLINE (ECSDA SINGLE SETTLEMENT FAILS PENALTIES FRAMEWORK)

Reporting:

- Reporting formats:
  - ISO 20022 messages
  - ISO 15022 messages
  - U2A
  - Proprietary reports/messages
- Generic reporting content
- Message types:
  - Daily penalties report
  - Monthly aggregated report

SETTLEMENT DISCIPLINE (T2S PENALTY MECHANISM)

CHANGE REQUEST 654

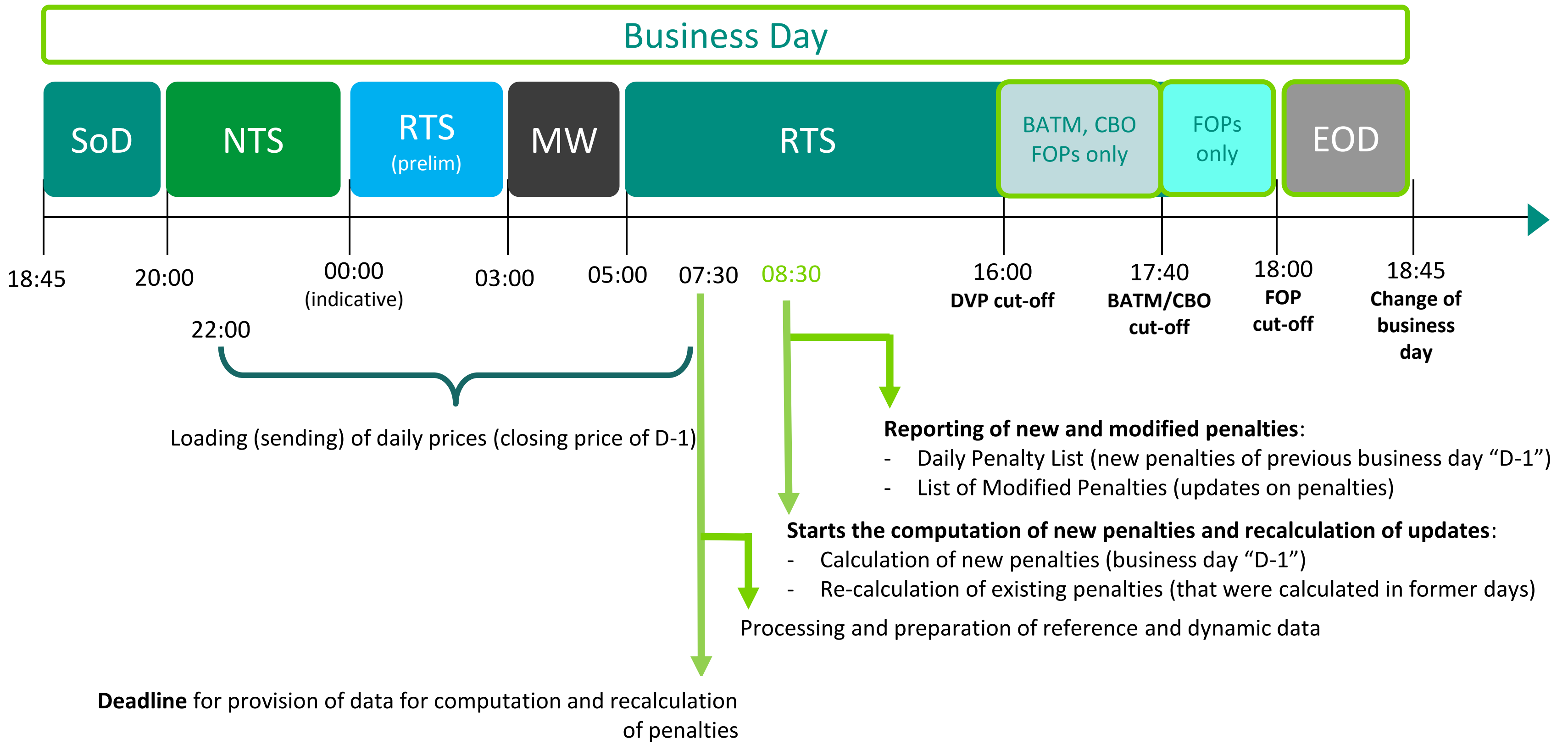
- T2S/4CB has drafted dedicated daily and monthly penalties ISO 20022 reports.
- ISO 20022 format: it is proposed to use a Pillar III semt.xxx message dedicated to penalty messaging.
- ISO 15022 format: the existing messages will also be adapted to cover the penalties information; they shall be made available in November 2019. Please refer to the SMPG, Standards MT Release November 2019, Settlement and Reconciliation;
  - The following development of the standard was agreed by SMPG:
    - MT537 (Statement of Pending Transactions);
    - MT548 (Securities Settlement Status Advice) adaptations will contain a dedicated new sequence specific to the penalties reporting.
  - MT537/548 will include new fields and repetitive blocks:
    - Late matching/ settlement fail; reporting of underlying transaction; penalty ID; credit/debit indicators; calculation parameter references;
    - The new fields will correspond to the new ISO 20022 message (semt.xxx message) in their content and level.
- It should be noted that all reports between CSDs and from CSDs to their participants should be identical in terms of the applied formats.

SETTLEMENT DISCIPLINE (T2S PENALTY MECHANISM)

Message structure in ISO 20022

- **Report General Details**
  - Frequency → Daily (Business date) | Monthly (Period)
  - Type → Daily Penalties List | List of Modified Penalties
- **AccountServicer / Depositary** → CSD
- **Claims (penalties) for Party, Currency and Date** → Date: only for List of Modified Penalties
  - Aggregated DEBIT <u>and</u> CREDIT amount per currency
  - **Claims (penalties) per Counterparty**
    - Aggregated NET Amount (DEBIT <u>or</u> CREDIT) → daily or monthly bilateral net amount between party & counterparty
    - **Penalty Details**
      - Penalty References → Individual Reference and Common Reference
      - Type → Settlement Fail Penalty | Late Matching Fail Penalty
      - Status → NCOM | NEW | UPDT | REMO
      - Amount computed
      - Calculation Method → SECU | MIXE | CASH | BOTH
      - Number of days
      - **Calculation details** → ISIN, Price details, Quotation details
      - **Related Transaction**
        - Reference
        - Transaction details
        - Status and Reason

SETTLEMENT DISCIPLINE (T2S PENALTY MECHANISM)



Note: It won´t be possible for the users to query penalties from the Maintenance Window (MW) until the end of the Daily Reporting

PRÓXIMOS PASSOS

- Regime da ***Settlement Discipline***:
  - Análise interna e partilha de informação/discussão com o mercado
- ***Change Request 654*** *(*T2S Penalty Mechanism):
  - Acompanhamento da análise e discussão
- **ECSDA** Single Settlement Fails Penalties **Framework**:
  - Acompanhamento da discussão e elaboração do *framework*

Questões

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