



Bi-lateral Collateral Market Practice

Disclaimer

The Securities Market Practice Group is a group of experts who devote their time on a voluntary basis to define global and local market practices for the benefit of the securities industry. The market practice documentation and recommendations produced by this organization are intended to solve common problems across the securities industry, from which financial institutions can derive clear benefits, to harmonize business processes and to facilitate the usage of message protocols ISO 15022 and ISO 20022. While the Securities Market Practice Group encourages the implementation of the market practices it develops, it is up to the financial institutions within each market to implement the market practices according to their needs and agreements with their business counterparts to support their businesses as efficient as possible.

Although the SMPG has used all reasonable efforts to ensure accuracy of the contents of this document, the SMPG assumes no liability whatsoever for any inadvertent errors or omissions that may appear thereon. Moreover, the information is provided on an "as is" basis. The SMPG disclaims all warranties and conditions, either express or implied, including but not limited to implied warranties of merchantability, title, non-infringement and fitness for a particular purpose.

Neither the SMPG, nor any of its members and/or contributors shall be liable for any direct, indirect, special or consequential damages arising out of the use of the information published in this document, even if the SMPG or any of its members have been advised of the possibility of such damage.

Version:	2023
Status:	FINAL
Creation date:	September 2016
Last update:	March 2023

I. SCOPE AND DEFINITIONS: 4

II. ACTORS AND ROLES: 4

III. ACTIVITY DIAGRAM: 6

IV. SEQUENCE DIAGRAMS: 6

V. BUSINESS DATA REQUIREMENTS: 6

VI. MARKET PRACTICE RULES: 10

VII. ISO 15022 ILLUSTRATION: 12

VIII. MESSAGE USAGE RULES 12

IX. APPENDIX A 34

IX. APPENDIX B 38

Changes to previous versions			
Version 1.0	Initial	Conversion of ISITC Security Collateral MP into SMPG template	All
Version 1.1	Update	Comments received from SMPG <ul style="list-style-type: none"> • Sample on page 13 had REAG setprty twice. Removed client of clearing agent party from sample • Samples on page 14/15 of End of tracking instruction updated to reflected UNTR codeword • Samples on page 14 are MT540s updated to state SELL instead of BUYR qualifier in 95a 	14/15
Version 1.2-1.4	Update	Document expanded to include both security and cash bi-lateral collateral. Cash recommendations from SMPG Securities Related Payments Collateral Appendix B added. Scope section updated to reflect other SMPG MP documents that reference collateral management best practices	
Version 1.5	Update	Sample messages example typo with 95a::PSET field in AMT sequence instead of SETPRTY sequence	
Version 1.6	Update	Removal of CCPC data source scheme requirement now that codeword is valid over SWIFT network	



Version 2.0	Update	Addition of ISO 20022 illustrations Clarification of wording of ISITC Third Party Custodian Cash and Security Segregated Collateral Market Practice vs. Tri Party Collateral Management Market Practice throughout document	
Version 3.0	Update	Updated document to reflect ISO 20022 CBPR+ migration March 2023 – November 2025	March 2023

I. Scope and definitions:

The scope of this market practice is to clarify usage recommendations for settling security and cash collateral instructions utilizing ISO15022 and ISO20022 standards.

This version of the market practice includes the following business processes and corresponding messages:

- Investment Manager to Custodian Bank messaging
- Lending Agent to Custodian Bank messaging (securities lending collateral)

Later phases of this document will include additional business processes and messaging scenarios once business cases are submitted:

- Collateral confirmation of settlement messaging
- Collateral cancellation of settlement messaging

The recommended market practices for cash related collateral has been addressed through the SMPG S&R Work Group. An appendix of the SMPG Payments Market Practice specifically related to cash collateral payment messaging has been added to this MP as an Appendix B.

Out of scope for this document is the clarification of best practice for messaging between collateral counterparts, e.g. margin call, collateral proposal, acceptance, rejections, etc. Tri party collateral segregation is also out of scope for this document and documented in a separate SMPG market practice.

This document is intended to provide a high level overview of bi-lateral cash and security collateral management across various associated products including OTC and Listed Derivatives, Repurchase Agreements and Lending. Detailed product specific SMPG MPs also exist for each of these products which discuss associated cash and security collateral management best practices as they pertain to that product type.

II. Actors and Roles:

There are 3 distinct roles involved in the instruction of collateral messaging.

- Instructing party – The instructing party provides the source data or terms of the collateral movement.
- Sender – a sender sends the message(s) containing the data, but does not necessarily provide the source data or terms of the collateral movement.
- Recipient – the recipient receives the messages containing the data from the provider.

There are multiple actors involved in the process. Each Actor may at time play more than one of the roles outlined above.

Instructing Party	Sender	Recipient
Investment Manager	Investment Manager	Custodian Bank
Prime Broker	Prime Broker	Accounting Agent
Lending Agent	Custodian Bank	Central Securities Depository (CSD)



	Service Provider/Outsourcer	International Central Securities Depository (ICSD)
--	-----------------------------	----------------------------------------------------



III. Activity Diagram:

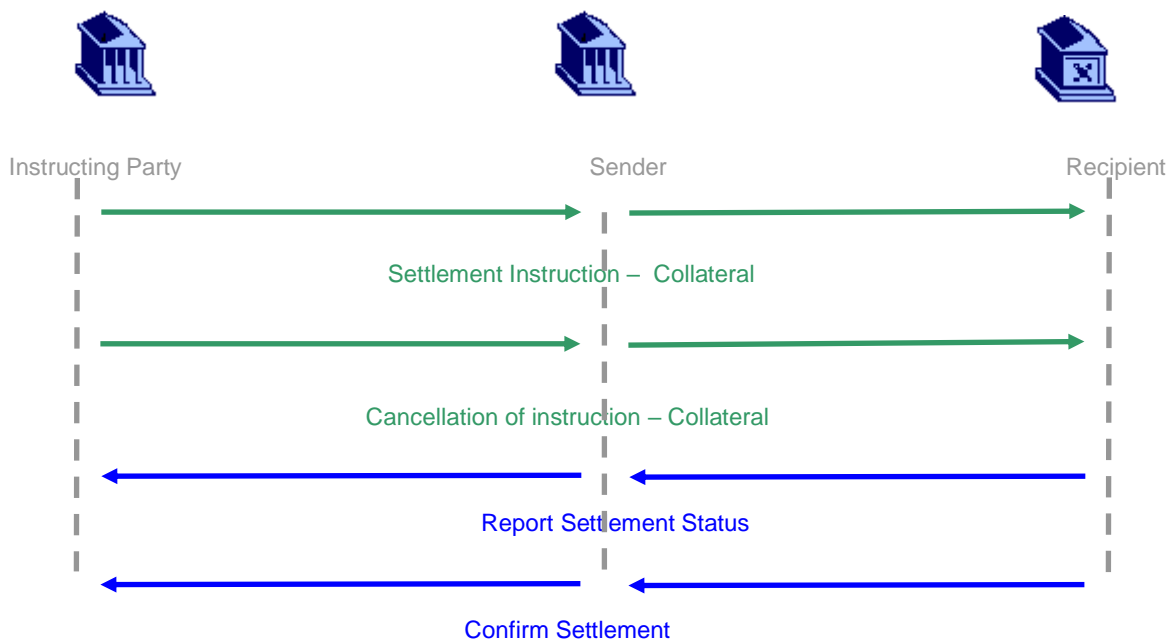
An activity diagram shows the main activities that yields an observable result to one or more actors and that allows the business process described to achieve its business objectives.

IV. Sequence Diagrams:

In **green**: the main communication requirements for this process.

In **blue**: the surrounding communication requirements.

In **dotted line**, the optional/potential supporting communication requirements.



V. Business data requirements:

Security Collateral

Business Element	Comments
Collateral Initiation - Free Delivery and Receipt Message	
Message Reference	Unique transaction ID from sender.
Function of the message	Indicates new or cancel.
Trade Date	ISO 8601 Date
Settlement Date	ISO 8601 Date
Security Identifier	ISIN is recommended.

Quantity of Financial instrument	Collateral quantity expressed appropriate to instrument type. Refer to US Market Practice guide for instrument type references.
Price	Price type codeword appropriate to instrument type. Refer to US Market Practice guide for instrument type reference.
Safekeeping Account	Account number
Collateral Ownership Indicator	Indicates if the collateral is client or broker owned.
Collateral Type Indicator	Indicates the type of securities the collateral is related.
Collateral Income Tracking Indicator	Indicator for income on collateral to be paid to collateral owner. In the US Market this indicator identifies on the original instruction settling via FED or DTC that income paid on collateral needs to be paid to the collateral owner.
Place of Settlement	The field must be populated with the BIC of a national or international CSD. When no CSD exists in a particular market, the stock exchange BIC will be used. Country code should be used for settlement taking place outside of an institution published in the PSET's BIC list. This includes physical deliveries and investment funds not settling at a CSD.
Broker/Agent details	Broker information for receiving/delivery agent and buyer/seller represented as BIC, or local market ID.
Settlement Amount	Total amount of money to be paid or received in exchange for the financial instrument.
Security Collateral Confirmations	
Linked reference	A link is required to the original collateral instruction
Effective Settlement Dates	Effective settlement date of the concerned collateral
Effective Settlement Share Amount	Effective settlement amount of the concerned collateral instruction
Security Collateral Cancellations	
Linked reference	A link is required to the previous collateral instruction on cancellations

Cash Collateral

Business Element	Comments
Cash Delivery Initiation	

Message Identification	Reference number to unambiguously identify the message.
Debtor (Account Owner)	Party that owes an amount of money to the ultimate creditor**
Requested Execution Date/Settlement Date	Date on which the debtor's account is debited. ISO 8601 Date
End-to-end Identification	Unique identification assigned by initiating party to unambiguously identify the payment. This id is passed on, unchanged, throughout the entire end-to-end chain, which all parties in the chain can use to identify this particular payment
Currency of Payment	Currency
Instructed Amount of Payment	Amount of money to be moved between the debtor and creditor, expressed in currency as ordered by initiating party.
Cash Purpose Code	Underlying reason for the payment transaction. (see ISITC Cash Purpose Codeword List for list of approved ISITC purpose codes).
Intermediary Agent	The agent between the debtor agent and creditor agent. Optional to be used (or not used) as required for payment chain.
Creditor agent	Financial institution servicing an account for the creditor
Creditor	Party to which an amount of money is due.
Cash Receipt Initiation	
Message Identification	This field specifies the reference assigned by the Sender to unambiguously identify the message.
Credit Account	This field identifies the account to be credited with the incoming funds
Value Date	This field contains the value date of all incoming funds specified in this message
Cash Purpose Codeword	Underlying reason for the payment transaction. (see ISITC Cash Purpose Codeword List for list of approved ISITC purpose codes).
Related Reference Number	This field contains a related transaction reference Number, or other common reference,
Requested Receipt Currency and Amount	This field specifies the currency and amount to be received.
Ordering Institution	This field specifies the ordering party when it is a financial institution. Identifier Code must be a registered BIC.

Intermediary	This field specifies the financial institution from which the Receiver is to receive the funds. Identifier Code must be a registered BIC.
Cash Delivery Confirmations	
Transaction Reference Number	Reference number to unambiguously identify the message.
Related Reference	Reference number of the transaction which resulted in this message, for example, the field 20 Transaction Reference Number or Instruction Identification (InstrId) element of the SWIFT payment instruction.
Account Identification	This field identifies the account which has been debited.
Value Date, Currency Code, Amount	This field specifies the value date, currency code and amount of the debit.
Ordering Institution	This field identifies the institution which instructed the Sender to execute the transaction resulting in this debit, when other than the Receiver.
Sender to Receiver Information	This field contains additional information for the Receiver.
Bank Transaction Code	Set of elements used to fully identify the type of underlying transaction resulting in an entry.
Cash Receipt Confirmations	
Transaction Reference Number	Reference assigned by the Sender to unambiguously identify the message.
Related Reference	This field contains the reference for the account owner (Receiver), for example, field 21 or End To End Identification (EndToEndId) element, from the SWIFT message which resulted in this credit.
Account Identification	This field identifies the account which has been credited.
Value Date, Currency Code, Amount	This field specifies the value date, currency code and amount of the credit.
Ordering Customer	This field identifies the customer which originated the transaction resulting in this credit.
Ordering Institution	This field identifies the financial institution which originated the transaction resulting in this credit.
Intermediary	This field identifies the financial institution from which the Sender received the funds, when other than the ordering institution.
Sender to Receiver Information	This field contains additional information for the Receiver.

Bank Transaction Code	Set of elements used to fully identify the type of underlying transaction resulting in an entry.
-----------------------	--------------------------------------------------------------------------------------------------

VI. Market Practice Rules:

General Rules:

The recommendation is to use the deliver free and receipt free messages for instructing the movement of the collateral securities.

- As with the closing of a short position to go long in a position, the expectation is two separate instructions are to be sent to close a collateral position that is broker owned and open a position that is client owned.

1. Broker Owned Security Collateral Movement Instructions

The initiation message to settle the securities collateral will include the following business elements and are required from a Custody perspective:

Business Term	Definition
Message Reference	Unique transaction ID from sender.
Function of the message	Indicates new or cancel.
Trade Date	ISO 8601 Date
Settlement Date	ISO 8601 Date
Security Identifier	ISIN is recommended
Price	Price and price type codeword appropriate to instrument type.
Quantity of Financial instrument	Collateral quantity expressed appropriate to instrument type.
Collateral Ownership Indicator	Indicates if the collateral is client or broker owned.
Collateral Type indicator	Indicates the type of securities the collateral is related.
Collateral Income tracking indicator (When applicable)	Indicator for income on collateral to be paid to collateral owner. In the US Market, Indicator to identify on original instruction settling via FED or DTC that income paid on collateral needs to be paid to the collateral owner.
Safekeeping Account	Account number
Place of Settlement	The field must be populated with the BIC of a national or international CSD. When no CSD exists in a particular market, the stock exchange BIC will be used. Country code should be used for settlement taking place outside of an institution published in the PSET's BIC list. This includes physical deliveries and investment funds not settling at a CSD.
Broker/Agent details	Broker information for receiving/delivery agent and buyer/seller represented as BIC, or Local Market ID.
Settlement Amount	Total amount of money to be paid or received in exchange for the financial instrument.

2. Client Owned Security Collateral Movement Instructions

The initiation message to settle the securities collateral will include the following business elements and are required from a Custody perspective:

Business Term	Definition
Message Reference	Unique transaction ID from sender.
Function of the message	Indicates new or cancel.
Trade Date	ISO 8601 Date
Settlement Date	ISO 8601 Date
Security Identifier	ISIN is recommended
Price	Price and price type codeword appropriate to instrument type.
Quantity of Financial instrument	Collateral quantity expressed appropriate to instrument type.
Collateral Ownership Indicator	Indicates if the collateral is client or broker owned.
Collateral Type indicator	Indicates the type of securities the collateral is related.
Collateral Income tracking indicator (When applicable)	Indicator for income on collateral to be paid to collateral owner. In the US Market, Indicator to identify on original instruction settling via FED or DTC that income paid on collateral needs to be paid to the collateral owner.
Safekeeping Account	Account number
Place of Settlement	The field must be populated with the BIC of a national or international CSD. When no CSD exists in a particular market, the stock exchange BIC will be used. Country code should be used for settlement taking place outside of an institution published in the PSET's BIC list. This includes physical deliveries and investment funds not settling at a CSD.
Broker/Agent details	Broker information for receiving/delivery agent and buyer/seller represented as BIC, or Local Market ID.
Settlement Amount	Total amount of money to be paid or received in exchange for the financial instrument.

3. Cancellations

Format recommendations to be added as a later phase.

4. Confirmations

A confirmation message corresponding to the effective movements of securities free of payment is to be sent for each instruction. Format recommendations to be added as a later phase.

5. Third Party Custodian Client owned Collateral Segregation Instructions

Refer to the ISITC Global Securities Related Payments MP for detailed field usage recommendations on MT202/210 or pacs.009/camt.057, MT900/910 or camt.054 and equivalent MX messages.

6. Third Party Custodian Collateral Approval to release by Brokers

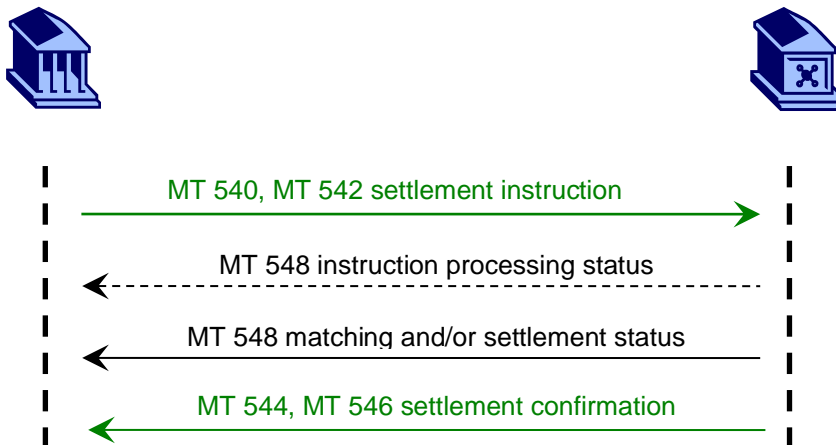
Refer to the ISITC Global Securities Related Payments MP for detailed field usage recommendations on MT527 message.

7. Cash Collateral Receipt/Delivery Initiation and Confirmation

Refer to the SMPG Global Securities Related Payments MP for detailed field usage recommendations on MT202/210 or pacs.009/camt.057, MT900/910 or camt.054 and equivalent MX messages. Refer to

Appendix B on attached for additional detail on collateral related cash usage recommendations including applicable cash purpose codewords.

VII. ISO 15022 illustration- Security Collateral:



The Instructing Party or Sender typically sends the MT540/542 to the Recipient. As mentioned in the scope section, this market practice focuses on the communication from the Investment Manager to the Custodian Bank.

Tri-party Collateral Segregation Messaging Diagrams:

- Refer to Tri-Party Collateral Management Market Practice Appendix A for business data element requirements and market practice rules on usage of MT message

VIII. Message Usage Rules – Security Collateral

A. The section below will provide a more detailed explanation of the message type usage and defining elements of the collateral instructions.

1. **Broker Owned Security Collateral Movement Instructions**

Collateral Ownership Indicator:

- **Pledging a security (broker owned):**
An instruction to the Custodian Bank from the Investment Manager to receive a security from the broker to the clients Custodian account or to a segregated account at the custodian on behalf of the client.

MT540 with 22F::SETR//COLI Collateral initiation from broker

- **Recalling a security (broker owned):**

An instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account to a broker.

MT542 with 22F::SETR//COLI removal of position from collateral back to broker

Collateral Type Indicator:

MT540/MT542 with 22F::COLA//__	
Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
BFWD	Bond Forward Domestic collateral
CCPC	CCP Collateral – this is collateral that is covering the initial margin requirements for OTC trades clearing through a CCP.
EQPT	Equity Option
FORW	Forward FX trade
FUTR	Futures and all Futures Clearing Merchant (FCM) collateral
OTCD	OTC Derivatives covered under a Credit Support Master Agreement
REPO	Repurchase Agreement
RVPO	Reverse Repo collateral
SLEB	Securities Lending and Borrowing
SHSL	Short Sale
TBAS	TBA related collateral
Note: FORX FX trades in general, collateralization of spot FX deals is not applicable, only FORW is recommended.	

Income Tracking Indicator:

Broker

When the Investment Manager elects to pledge or receive certain interest bearing instruments as broker owned collateral, it then is necessary for the bank to use the appropriate tracking codes within the respective depository to trigger the appropriate income tracking on those movements. The need is for a codeword to indicate the transaction should be setup for income/repo tracking within the respective CSD.

- **Receipt of broker owned collateral:**

MT540/541 – Receipt Messages	
Format and Code	Definition
22F::SETR//COLI	Broker Owned
22F::TRAK//TRAC	Codeword to identify as start of income tracking

- **Return of broker owned collateral:**

MT542/543 – Delivery Messages	
Format and Code	Definition
22F::SETR//COLI	Broker Owned

22F::TRAK//TRAC	Codeword to identify as start of income tracking
-----------------	--------------------------------------------------

2. Client Owned Security Collateral Movement Instructions

Collateral Ownership Indicator:

- Recalling a security (client owned):**
 An instruction to the Custodian Bank from the Investment Manager to receive a security from the broker to the clients Custodian account.

MT540 with 22F::SETR//COLO

Collateral return from collateral position (SR 2007 MT540/541 COLL + CLNT)

- Pledging a security (client owned):**
 An instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account to a broker or a segregated account at the Custodian on behalf of the broker.

MT542 with 22F::SETR//COLO

Lending collateral delivery to collateral position (SR 2007 MT542/543 COLL + CLNT)

If it is a mark-up, ie, the receipt of more collateral to adjust the position to the market value:

MT 540 COLI will be used by the collateral taker getting more collateral from the collateral giver.

MT 542 COLO will be used by the collateral giver giving more collateral to the collateral taker.

If it is a mark-down, ie, the return of some collateral to adjust the position to the market value:

MT 542 COLI will be used by the collateral taker to return some of the collateral to the collateral giver.

MT 540 COLO will be used by the collateral giver to get back some of the collateral from the collateral taker.

Collateral Type Indicator:

MT540/MT542 with 22F::COLA//__	
Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
BFWD	Bond Forward Domestic collateral
CCPC	CCP Collateral – this is collateral that is covering the initial margin requirements for OTC trades clearing through a CCP.
EQPT	Equity Option
FORW	Forward FX trade
FUTR	Futures and all Futures Clearing Merchant (FCM) collateral
OTCD	OTC Derivatives covered under a Credit Support Master Agreement
REPO	Repurchase Agreement
RVPO	Reverse Repo collateral
SHSL	Short Sale
SLEB	Securities Lending and Borrowing
TBAS	TBA related collateral
Note: FORX FX trades in general, collateralization of spot FX deals is not applicable, only FORW is recommended.	

MT540/MT542 with 22F::COLA//__	
Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition

Income Tracking Indicator:

When the Investment Manager elects to pledge or receive certain interest bearing instruments as client owned collateral, it then is necessary for the bank to use the appropriate tracking codes within the respective depository to trigger the appropriate income tracking on those movements. The need is for a codeword to indicate the transaction should be setup for income/repo tracking within the respective CSD.

- **Pledge of client owned collateral with income tracking:**

MT542/543 - Delivery Messages	
Format and Code	Definition
22F::SETR//COLO	Client Owned
22F::TRAK//TRAC	Codeword to identify as start of income tracking

- **Release / Recall of client owned collateral with income tracking:**

MT540/541 - Receipt Messages	
Format and Code	Definition
22F::SETR//COLO	Client owned
22F::TRAK//TRAC	Codeword to identify as start of income tracking

3. Substitution/Replacement of Security Collateral

Substituting Collateral (Pre Maturity - Client owned):

Both an instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account to a broker or a segregated account at the Custodian Bank on behalf of the broker and an instruction to the Custodian Bank from the Investment Manager to receive a security from the broker or a segregated account at the Custodian Bank on behalf of the broker to the clients Custodian account.

Substituting Collateral (Pre Maturity - Broker owned)

Both an instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account or a segregated account at the Custodian Bank on behalf of the broker to a broker and an instruction to the Custodian Bank from the Investment Manager to receive a security from the broker to a segregated account at the Custodian Bank on behalf of the broker or to the clients Custodian account.

Collateral Replacement (Post Maturity)

If the Investment Manager or broker chooses to allow collateral to mature for cash, the Custodian Bank, without instruction, should do as such. If the Investment Manager or broker then decides to

substitute the cash collateral with another security then the standard instructing for recalling cash and pledging a security should apply.

4. Segregation of Third Party Custodian Collateral Transactions

Refer to the ISITC Cash and Security Segregated Collateral Market Practice for business data element requirements and market practice rules on usage of security and cash pledge/recall and authorization to release messaging.

B. Message Structure and Requirements – Security Collateral

The Collateral messaging Market Practice should adhere to the ISO 15022 messaging standard. The message structure is provided below.

Index	Message Item	Definition	Mult.	Syntax	Usage Rule / Comments
	Message Type	MT540 – Receive free MT542 – Receive free	NA	ISO15022	MT540 should be used to indicate a receipt of collateral either as a new initiation from a broker or return of collateral from a client collateral out position MT542 should be used to indicate a delivery of collateral either to the broker or to a client collateral out position.

Data	ISO 15022
Instruction Identification	:20C::SEME//16x
Message Function	:23G:: 4!c[/4!c]
Link of cancel instruction to original instruction	:20C::PREV//16x :20C::RELA//16x (Substitutions TBD)
Trade Date	:98A::TRAD//YYYYMMDD

Settlement Date	:98A::SETT//YYYYMMDD
Deal Price	:90B::DEAL//4!c/3!a15d
Financial Instrument	:35B::ISIN!e12!c [4*35x]
Quantity of Financial Instrument	:36B::SETT//4!c/15d *Instrument type will determine quantity type code.
Custodian Account Number	:97A::SAFE//35x
Collateral Ownership Indicator	:22F::SETR//COLI :22F::SETR//COLO
Exposure Type	:22F::COLA/4!c *See Section 2 for list of exposure (COLA) types
Income Tracking Indicator	:22F::TRAK//UNTR :22F::TRAK//TRAC
Place of Settlement	95C::PSET//2!a 95P::PSET //4!a2!a2!c[3!c] 95Q::PSET//4*35x
Receiving/Delivering Party	:95P::BUYR//4!a2!a2!c or 95Q::BUYR//4*35x or 95R::BUYR/8c/34x :95P::SELL//4!a2!a2!c or 95Q::SELL//4*35x or 95R::SELL/8c/34x
Receiving/Delivering Agent	:95P::REAG//4!a2!a2!c or :95R::REAG/8c/34x or 95Q::REAG//4*35x :95P::DEAG//4!a2!a2!c or :95R::DEAG/8c/34x or 95Q::DEAG//4*35x
Client of Receiving/Delivering Agent	*If more than two parties are provided, the client of the REAG/DEAG is the RECU/DECU. See Common Elements MP and Standards for clarification.
Country specifics as per local market practice (if any)	See country MP.

• **Sample Message Formats**

Client Owned Collateral Messaging

542		542 Cancel
:16R:GENL	Message reference	:16R:GENL
:20C::SEME//1234		:20C::SEME//56789
:23G:NEWM		:23G:CANC
		:16R:LINK
		:20C::PREV//1234
		:16S:LINK
:16S:GENL		:16S:GENL
:16R:TRADDET		:16R:TRADDET
:98A::TRAD//20090305		:98A::TRAD//20090305
:98A::SETT//20090308		:98A::SETT//20090308
:90B::DEAL//PRCT/USD97,9		:90B::DEAL//PRCT/USD97,9
:35B:ISIN US0123456789		:35B:ISIN US0123456789
:16S:TRADDET		:16S:TRADDET
:16R:FIAC	:16R:FIAC	
:36B::SETT//FAMT/4650000,	Quantity	:36B::SETT//FAMT/4650000,

:97A::SAFE//111111111	Safekeeping account	:97A::SAFE//111111111
:16S:FIAC		:16S:FIAC
:16R:SETDET		:16R:SETDET
:22F::SETR//COLO	Collateral Indicator	:22F::SETR//COLO
:22F::COLA//		:22F::COLA//
:16R:SETPRTY		:16R:SETPRTY
:95R::BUYR/DTCYID/4444	Buyer	:95R::BUYR/DTCYID/4444
:16S:SETPRTY		:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95P::REAG//SUBCYY34	Receiving agent	:95P::REAG//SUBCYY34
:16S:SETPRTY		:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95P::PSET//DTCYUS33	Place of settlement	:95P::PSET//DTCYUS33
:16S:SETPRTY		:16S:SETPRTY
:16S:SETDET		:16S:SETDET

Broker Owned Collateral Messaging

542		542 Cancel
:16R:GENL	Message reference	:16R:GENL
:20C::SEME//1234		:20C::SEME//56789
:23G:NEWM		:23G:CANC
		:16R:LINK
		:20C::PREV//1234
:16S:GENL	Trade date	:16S:LINK
:16R:TRADDET	Settlement date	:16S:GENL
:98A::TRAD//20090305	Deal Price	:16R:TRADDET
:98A::SETT//20090308	Financial instrument	:98A::TRAD//20090305
:90B::DEAL//PRCT/USD97,9		:98A::SETT//20090308
:35B:ISIN US0123456789		:90B::DEAL//PRCT/USD97,9
:16S:TRADDET		:35B:ISIN US0123456789
:16R:FIAC	Quantity	:16S:TRADDET
:36B::SETT//FAMT/4650000,	Safekeeping account	:16R:FIAC
:97A::SAFE//111111111		:36B::SETT//FAMT/4650000,
:16S:FIAC		:97A::SAFE//111111111
:16R:SETDET	Collateral Indicator	:16S:FIAC
:22F::SETR//COLI		:16R:SETDET
:22F::COLA//		:22F::SETR//COLI
:16R:SETPRTY	Buyer	:22F::COLA//
:95R::BUYR/DTCYID/4444		:16R:SETPRTY
:16S:SETPRTY		:95R::BUYR/DTCYID/4444
:16R:SETPRTY	Receiving agent	:16S:SETPRTY
:95R::REAG/DTCYID/1111		:16R:SETPRTY
:16S:SETPRTY		:95R::REAG/DTCYID/1111
:16R:SETPRTY	Place of settlement	:16S:SETPRTY
:95P::PSET//DTCYUS33		:16R:SETPRTY
:16S:SETPRTY		:95P::PSET//DTCYUS33
:16S:SETDET		:16S:SETPRTY
		:16S:SETDET

Broker Owned Collateral Messaging with Income Tracking Start or Income Tracking End Notification

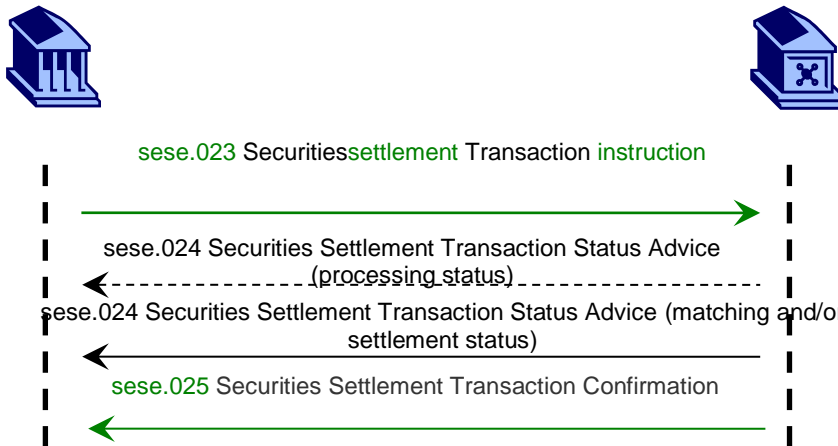
540 NEWM – Start of tracking		540 NEWM – End of tracking
:16R:GENL	Message reference	:16R:GENL
:20C::SEME//1234		:20C::SEME//1234
:23G:NEWM	Trade date	:23G:NEWM
:16S:GENL		:16S:GENL
:16R:TRADDET	Settlement date	:16R:TRADDET
:98A::TRAD//20090305	Deal Price	:98A::TRAD//20090305
:98A::SETT//20090308	Financial instrument	:98A::SETT//20090308
:90B::DEAL//PRCT/USD97,9	Quantity	:90B::DEAL//PRCT/USD97,9
:35B:ISIN US0123456789		:35B:ISIN US0123456789
:16S:TRADDET	Safekeeping account	:16S:TRADDET
:16R:FIAC		:16R:FIAC
:36B::SETT//FAMT/4650000,	Collateral Indicator	:36B::SETT//FAMT/4650000,
:97A::SAFE//111111111		:97A::SAFE//111111111
:16S:FIAC	Tracking Start / End	:16S:FIAC
:16R:SETDET		:16R:SETDET
:22F::SETR//COLI	Seller - Executing	:22F::SETR//COLI
:22F::COLA// ____		:22F::COLA// ____
:22F::TRAK//TRAC	Delivering agent	:22F::TRAK//UNTR
:16R:SETPRTY		:16R:SETPRTY
:95R::SELL/DTCYID/4444	Place of settlement	:95R::SELL/DTCYID/4444
:16S:SETPRTY		:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95R::DEAG/DTCYID/1111		:95R::DEAG/DTCYID/1111
:16S:SETPRTY		:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95P::PSET//DTCYUS33		:95P::PSET//DTCYUS33
:16R:SETPRTY		:16R:SETPRTY
:16S:SETDET		:16S:SETDET

Client Owned Collateral Messaging with Income Tracking Start or Income Tracking End Notification

542 NEWM – Start of tracking		542 NEWM – End of tracking
:16R:GENL	Message reference	:16R:GENL
:20C::SEME//1234		:20C::SEME//1234
:23G:NEWM	Trade date	:23G:NEWM
:16S:GENL		:16S:GENL
:16R:TRADDET	Settlement date	:16R:TRADDET
:98A::TRAD//20090305	Deal Price	:98A::TRAD//20090305
:98A::SETT//20090308	Financial instrument	:98A::SETT//20090308
:90B::DEAL//PRCT/USD97,9	Quantity	:90B::DEAL//PRCT/USD97,9
:35B:ISIN US0123456789		:35B:ISIN US0123456789
:16S:TRADDET	Safekeeping account	:16S:TRADDET
:16R:FIAC		:16R:FIAC
:36B::SETT//FAMT/4650000,		:36B::SETT//FAMT/4650000
:97A::SAFE//111111111		:97A::SAFE//111111111
:16S:FIAC		:16S:FIAC

:16R:SETDET	Collateral Indicator	:16R:SETDET
:22F::SETR//COLO		:22F::SETR//COLO
:22F::COLA//	Tracking Start / End	:22F::COLA//
:22F::TRAK//TRAC		:22F::TRAK//UNTR
:16R:SETPRTY	Buyer	:16R:SETPRTY
:95R::BUYR/DTCYID/4444		:95R::BUYR/DTCYID/4444
:16S:SETPRTY	Receiving agent	:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95R::REAG/DTCYID/1111	Place of settlement	:95R::REAG/DTCYID/1111
:16S:SETPRTY		:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95P::PSET//DTCYUS33		:95P::PSET//DTCYUS33
:16R:SETPRTY		:16R:SETPRTY
:16S:SETDET		:16S:SETDET

IX. ISO 20022 illustration- Security Collateral:



The Instructing Party or Sender typically sends the sese.023 to the Recipient. As mentioned in the scope section, this market practice focuses on the communication from the Investment Manager to the Custodian Bank.

Tri-party Collateral Segregation Messaging Diagrams:

- Refer to Tri Party Collateral Management Market Practice Appendix A for business data element requirements and market practice rules on usage of MT message

X. Message Usage Rules – Security Collateral

A. The section below will provide a more detailed explanation of the message type usage and defining elements of the collateral instructions.

4. **Broker Owned Security Collateral Movement Instructions**

Collateral Ownership Indicator:

- **Pledging a security (broker owned):**
An instruction to the Custodian Bank from the Investment Manager to receive a security from the broker to the clients Custodian account or to a segregated account at the custodian on behalf of the client.

Sese.023 with:

- ✓ “SctiesMvmntTp/RECE”
- ✓ “Pmt/FREE”
- ✓ And SctiesTxTp/COLI

Collateral initiation from broker

- **Recalling a security (broker owned):**
An instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account to a broker.

Sese.023 with:

- ✓ SctiesMvmntTp/DELI
- ✓ “Pmt/FREE”
- ✓ And SctiesTxTp/COLI

Removal of position from collateral back to broker

Collateral Type Indicator:

Sese.023 with XpsrTp/ Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
BFWD	Bond Forward Domestic collateral
CCPC	CCP Collateral – this is collateral that is covering the initial margin requirements for OTC trades clearing through a CCP.
EQPT	Equity Option
FORW	Forward FX trade
FUTR	Futures and all Futures Clearing Merchant (FCM) collateral
OTCD	OTC Derivatives covered under a Credit Support Master Agreement
REPO	Repurchase Agreement
RVPO	Reverse Repo collateral
SLEB	Securities Lending and Borrowing
SHSL	Short Sale
TBAS	TBA related collateral

Sese.023 with XpsrTp/ Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
Note: FORX FX trades in general, collateralization of spot FX deals is not applicable, only FORW is recommended.	

Income Tracking Indicator:

Broker

When the Investment Manager elects to pledge or receive certain interest bearing instruments as broker owned collateral, it then is necessary for the bank to use the appropriate tracking codes within the respective depository to trigger the appropriate income tracking on those movements. The need is for a codeword to indicate the transaction should be setup for income/repo tracking within the respective CSD.

- **Receipt of broker owned collateral:**

Sese.023 (RECE) – Receipt Messages	
Format and Code	Definition
SctiesTxTp/COLI	Broker Owned
Trckg/Ind/Yes	Codeword to identify as start of income tracking

- **Return of broker owned collateral:**

Sese.023 (DELI) – Delivery Messages	
Format and Code	Definition
SctiesTxTp/COLI	Broker Owned
Trckg/Ind/Yes	Codeword to identify as start of income tracking

5. Client Owned Security Collateral Movement Instructions

Collateral Ownership Indicator:

- **Recalling a security (client owned):**
An instruction to the Custodian Bank from the Investment Manager to receive a security from the broker to the clients Custodian account.

Sese.023 with:

- ✓ “SctiesMvmntTp/RECE”
- ✓ “Pmt/FREE”
- ✓ And SctiesTxTp/COLO Collateral return from collateral position

- **Pledging a security (client owned):**
An instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account to a broker or a segregated account at the Custodian on behalf of the broker.

Sese.023 with:

- ✓ SctiesMvmntTp/DELI
- ✓ “Pmt/FREE”
- ✓ And SctiesTxTp/COLO Lending collateral delivery to collateral position

If it is a mark-up, ie, the receipt of more collateral to adjust the position to the market value:

Sese.023 (RECE - FREE) COLI will be used by the collateral taker getting more collateral from the collateral giver.

Sese.023 (DELI - FREE) COLO will be used by the collateral giver giving more collateral to the collateral taker.

If it is a mark-down, ie, the return of some collateral to adjust the position to the market value:

Sese.023 (DELI -FREE) COLI will be used by the collateral taker to return some of the collateral to the collateral giver.

Sese.023 (RECE-FREE) COLO will be used by the collateral giver to get back some of the collateral from the collateral taker.

Collateral Type Indicator:

Sese.023 with XpsrTp/ Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
BFWD	Bond Forward Domestic collateral
CCPC	CCP Collateral – this is collateral that is covering the initial margin requirements for OTC trades clearing through a CCP.
EQPT	Equity Option
FORW	Forward FX trade
FUTR	Futures and all Futures Clearing Merchant (FCM) collateral
OTCD	OTC Derivatives covered under a Credit Support Master Agreement
REPO	Repurchase Agreement
RVPO	Reverse Repo collateral
SHSL	Short Sale
SLEB	Securities Lending and Borrowing
TBAS	TBA related collateral
Note: FORX FX trades in general, collateralization of spot FX deals is not applicable, only FORW is recommended.	

Income Tracking Indicator:

When the Investment Manager elects to pledge or receive certain interest bearing instruments as client owned collateral, it then is necessary for the bank to use the appropriate tracking codes within the respective depository to trigger the appropriate income tracking on those movements. The need is for a codeword to indicate the transaction should be setup for income/repo tracking within the respective CSD.

- **Pledge of client owned collateral with income tracking:**

Sese.023 (DELI) - Delivery Messages	
Format and Code	Definition
SctiesTxTp/COLO	Client Owned
Trckg/Ind/Yes	Codeword to identify as start of income tracking

- **Release / Recall of client owned collateral with income tracking:**

Sese.023 (RECE) - Receipt Messages	
Format and Code	Definition
SctiesTxTp/COLO	Client owned
Trckg/Ind/Yes	Codeword to identify as start of income tracking

6. Substitution/Replacement of Security Collateral

Substituting Collateral (Pre Maturity - Client owned):

Both an instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account to a broker or a segregated account at the Custodian Bank on behalf of the broker and an instruction to the Custodian Bank from the Investment Manager to receive a security from the broker or a segregated account at the Custodian Bank on behalf of the broker to the clients Custodian account.

Substituting Collateral (Pre Maturity - Broker owned)

Both an instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account or a segregated account at the Custodian Bank on behalf of the broker to a broker and an instruction to the Custodian Bank from the Investment Manager to receive a security from the broker to a segregated account at the Custodian Bank on behalf of the broker or to the clients Custodian account.

Collateral Replacement (Post Maturity)

If the Investment Manager or broker chooses to allow collateral to mature for cash, the Custodian Bank, without instruction, should do as such. If the Investment Manager or broker then decides to substitute the cash collateral with another security then the standard instructing for recalling cash and pledging a security should apply.

4. Segregation of Third Party Custodian Collateral Transactions

Refer to the ISITC Cash and Security Segregated Collateral Market Practice for business data element requirements and market practice rules on usage of security and cash pledge/recall and authorization to release messaging.

B. Message Structure and Requirements – Security Collateral

The Collateral messaging Market Practice should adhere to the ISO 20022 messaging standard. The message structure is provided below.

Index	Message Item	Definition	Mult.	Syntax	Usage Rule / Comments
	Message Type	Sese.023 – Receive free Sese.023 – Receive free	NA	ISO 20022	Sese.023/RECE FREE should be used to indicate a receipt of collateral either as a new initiation from a broker or return of collateral from a client collateral out position Sese.023 DELI FREE should be used to indicate a delivery of collateral either to the broker or to a client collateral out position.

Data	ISO 20022
Transaction Identification	TxId/35x
Link of cancel instruction to original instruction	Cancellation of the instruction is done using the sese.020 with the Account Owner transaction identification
Trade Date	TradDtls/TradDt/Dt/Dt/ISODate
Settlement Date	TradDtls/StlmDt/Dt/Dt/ISODate
Deal Price	TradDtls/DealPric/Tp TradDtls/DealPric/Val
Financial Instrument	FinInstrmId/ISIN
Quantity of Financial Instrument	QtyAndAcctDtls/StlmQty/Qty/Unit or FaceAmount or Amortised Value *Instrument type will determine quantity type code.
Custodian Account Number	SfkpgAcct/id/35x
Collateral Ownership Indicator	StlmParams/ SciesTxTp/COLI StlmParams/ SciesTxTp/COLO
Exposure Type	StlmParams/ XpsrTp/ *See Section 2 for list of exposure types
Income Tracking Indicator	StlmParams/Trckg/Indicator/no or yes
Place of Settlement	DlvrgStlmPties/ Dpstry/Id/ AnyBIC RcvgStlmPties/ Dpstry/Id/ AnyBIC
Receiving/Delivering Party	DlvrgStlmPties/Party2/Id/ Any BIC or Prop Id or Name and Address

	RcvgSttlmPties/Party2/ Any BIC or Prop Id or Name and Address
Receiving/Delivering Agent	DlvrgSttlmPties/Party1/Id/ Any BIC or Prop Id RcvgSttlmPties/Party1/Id/ Any BIC or Prop Id
Client of Receiving/Delivering Agent	If the party 2 is not the direct client of the delivering agent (party 1), then an intermediary (party 3) must also be provided.
Country specifics as per local market practice (if any)	See country MP.

- **Sample Message Formats**

Client Owned Collateral Messaging

sese.023.001.

```

<SciesStlmTxInstr>
  <TxId>Instruction1</TxId>
  <StlmTpAndAddtlParams>
    <SciesMvmntTp>DELI</SciesMvmntTp>
    <Pmt>FREE</Pmt>
  </StlmTpAndAddtlParams>
  <TradDtls>
    <TradDt>
      <Dt>
        <Dt>2016-06-16</Dt>
      </Dt>
    </TradDt>
    <StlmDt>
      <Dt>
        <Dt>2016-06-20</Dt>
      </Dt>
    </StlmDt>
    <DealPric>
      <Tp>
        <Yldd>true</Yldd>
      </Tp>
      <Val>
        <Amt Ccy="USD">97.9</Amt>
      </Val>
    </DealPric>
  </TradDtls>
  <FinInstrmId>
    <ISIN>US0123456789</ISIN>
  </FinInstrmId>
  <QtyAndAcctDtls>
    <StlmQty>
      <Qty>
        <FaceAmt>4650000</FaceAmt>
      </Qty>
    </StlmQty>
    <SfkpgAcct>
      <Id>11111111</Id>
    </SfkpgAcct>
  </QtyAndAcctDtls>
  <StlmParams>
    <SciesTxTp>
      <Cd>COLO</Cd>
    </SciesTxTp>
    <XpsrTp>
      <Cd>BFW</Cd>
    </XpsrTp>
  </StlmParams>
  <RcvgStlmPties>
    <Dpstry>
      <Id>

```

sese.020.001

```

<SciesTxCxIReq>
  <AcctOwrTxId>
    <SciesStlmTxId>
      <TxId>Instruction1</TxId>
    <SciesMvmntTp>DELI</SciesMvmntTp>
  >
    <Pmt>FREE</Pmt>
  </SciesStlmTxId>
  </AcctOwrTxId>
  <SfkpgAcct>
    <Id>11111111</Id>
  </SfkpgAcct>
</SciesTxCxIReq>
</Document>

```

```
<AnyBIC>DTCYUS33</AnyBIC>
  </Id>
</Dpstry>
<Pty1>
  <Id>
    <AnyBIC>SUBCYY34</AnyBIC>
  </Id>
</Pty1>
<Pty2>
  <Id>
    <PrtryId>
      <Id>4444</Id>
      <Issr>DTCYID</Issr>
    </PrtryId>
  </Id>
</Pty2>
</RcvgStlmPties>
</SciesStlmTxInstr>
</Document>
```



Broker Owned Collateral Messaging

sese.023.001

```

<SctiesStlmTxInstr>
  <TxId>Instruction1</TxId>
  <StlmTpAndAddtlParams>
    <SctiesMvmntTp>DELI</SctiesMvmntTp>
    <Pmt>FREE</Pmt>
  </StlmTpAndAddtlParams>
  <TradDtls>
    <TradDt>
      <Dt>
        <Dt>2016-06-16</Dt>
      </Dt>
    </TradDt>
    <StlmDt>
      <Dt>
        <Dt>2016-06-20</Dt>
      </Dt>
    </StlmDt>
    <DealPric>
      <Tp>
        <Yidd>>true</Yidd>
      </Tp>
      <Val>
        <Amt Ccy="USD">97.9</Amt>
      </Val>
    </DealPric>
  </TradDtls>
  <FinInstrmId>
    <ISIN>US0123456789</ISIN>
  </FinInstrmId>
  <QtyAndAcctDtls>
    <StlmQty>
      <Qty>
        <FaceAmt>4650000</FaceAmt>
      </Qty>
    </StlmQty>
    <SfkpgAcct>
      <Id>111111111</Id>
    </SfkpgAcct>
  </QtyAndAcctDtls>
  <StlmParams>
    <SctiesTxTp>
      <Cd>COLI</Cd>
    </SctiesTxTp>
  
```

sese.020.001

```

<SctiesTxCxlReq>
  <AcctOwnrTxId>
    <SctiesStlmTxId>
      <TxId>Instruction1</TxId>
    <SctiesMvmntTp>DELI</SctiesMvmntTp>
    <Pmt>FREE</Pmt>
  </SctiesStlmTxId>
</AcctOwnrTxId>
<SfkpgAcct>
  <Id>111111111</Id>
</SfkpgAcct>
</SctiesTxCxlReq>
</Document>
  
```

```
<StlmParams>
  <SciesTxTp>
    <Cd>COLI</Cd>
  </SciesTxTp>
</StlmParams>
<RcvgStlmPties>
  <Dpstry>
    <Id>
      <AnyBIC>DTCYUS33</AnyBIC>
    </Id>
  </Dpstry>
  <Pty1>
    <Id>
      <PrtryId>
        <Id>1111</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty1>
  <Pty2>
    <Id>
      <PrtryId>
        <Id>4444</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty2>
</RcvgStlmPties>
</SciesStlmTxInstr>
</Document>
```

Broker Owned Collateral Messaging with Income Tracking Start or Income Tracking End Notification

Start of tracking

```

<Document
xmlns="urn:iso:std:iso:20022:tech:xsd:sese.023.001.06">
  <SciesStlmTxInstr>
    <TxId>Instruction1</TxId>
    <StlmTpAndAddtlParams>
      <SciesMvmntTp>RECE</SciesMvmntTp>
      <Pmt>FREE</Pmt>
    </StlmTpAndAddtlParams>
    <TradDtls>
      <TradDt>
        <Dt>
          <Dt>2016-06-16</Dt>
        </Dt>
      </TradDt>
      <StlmDt>
        <Dt>
          <Dt>2016-06-20</Dt>
        </Dt>
      </StlmDt>
      <DealPric>
        <Tp>
          <Yldd>true</Yldd>
        </Tp>
        <Val>
          <Amt Ccy="USD">97.9</Amt>
        </Val>
      </DealPric>
    </TradDtls>
    <FinInstrmId>
      <ISIN>US0123456789</ISIN>
    </FinInstrmId>
    <QtyAndAcctDtls>
      <StlmQty>
        <Qty>
          <FaceAmt>4650000</FaceAmt>
        </Qty>
      </StlmQty>
      <SfkpgAcct>
        <Id>11111111</Id>
      </SfkpgAcct>
    </QtyAndAcctDtls>
  </SciesStlmTxInstr>
</Document>

```

```

<StlmParams>
  <SciesTxTp>
    <Cd>COLI</Cd>
  </SciesTxTp>
  <XpsrTp>
    <Cd>BFW</Cd>
  </XpsrTp>
  <Trckg>
    <Ind>true</Ind>
  </Trckg>
</StlmParams>
<DlvrgStlmPties>
  <Dpstry>
    <Id>
      <AnyBIC>DTCYUS33</AnyBIC>
    </Id>
  </Dpstry>
  <Pty1>
    <Id>
      <PrtryId>
        <Id>1111</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty1>
  <Pty2>
    <Id>
      <PrtryId>
        <Id>4444</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty2>
</DlvrgStlmPties>
</SciesStlmTxInstr>
</Document>

```


End of tracking

```

<Document sese.023.001.
  <SciesStlmTxInstr>
    <TxId>Instruction1</TxId>
    <StlmTpAndAddtlParams>
      <SciesMvmntTp>RECE</SciesMvmntTp>
      <Pmt>FREE</Pmt>
    </StlmTpAndAddtlParams>
    <TradDtls>
      <TradDt>
        <Dt>
          <Dt>2016-06-16</Dt>
        </Dt>
      </TradDt>
      <StlmDt>
        <Dt>
          <Dt>2016-06-20</Dt>
        </Dt>
      </StlmDt>
      <DealPric>
        <Tp>
          <Yldd>true</Yldd>
        </Tp>
        <Val>
          <Amt Ccy="USD">97.9</Amt>
        </Val>
      </DealPric>
    </TradDtls>
    <FinInstrmId>
      <ISIN>US0123456789</ISIN>
    </FinInstrmId>
    <QtyAndAcctDtls>
      <StlmQty>
        <Qty>
          <FaceAmt>4650000</FaceAmt>
        </Qty>
      </StlmQty>
      <SfkpgAcct>
        <Id>111111111</Id>
      </SfkpgAcct>
    </QtyAndAcctDtls>
  </SciesStlmTxInstr>
</Document>

```

```

<StlmParams>
  <SciesTxTp>
    <Cd>COLI</Cd>
  </SciesTxTp>
  <XpsrTp>
    <Cd>BFW</Cd>
  </XpsrTp>
  <Trckg>
    <Ind>>false</Ind>
  </Trckg>
</StlmParams>
<DlvrgStlmPties>
  <Dpstry>
    <Id>
      <AnyBIC>DTCYUS33</AnyBIC>
    </Id>
  </Dpstry>
  <Pty1>
    <Id>
      <PrtryId>
        <Id>1111</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty1>
  <Pty2>
    <Id>
      <PrtryId>
        <Id>4444</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty2>
</DlvrgStlmPties>
</SciesStlmTxInstr>
</Document>

```

Client Owned Collateral Messaging with Income Tracking Start or Income Tracking End Notification

Start of tracking

```

<Document 023.001>
  <SctiesStlmTxInstr>
    <TxId>Instruction1</TxId>
    <StlmTpAndAddtlParams>
      <SctiesMvmntTp>DELI</SctiesMvmntTp>
      <Pmt>FREE</Pmt>
    </StlmTpAndAddtlParams>
    <TradDtls>
      <TradDt>
        <Dt>
          <Dt>2016-06-16</Dt>
        </Dt>
      </TradDt>
      <StlmDt>
        <Dt>
          <Dt>2016-06-20</Dt>
        </Dt>
      </StlmDt>
      <DealPric>
        <Tp>
          <Yldd>true</Yldd>
        </Tp>
        <Val>
          <Amt Ccy="USD">97.9</Amt>
        </Val>
      </DealPric>
    </TradDtls>
    <FinInstrmId>
      <ISIN>US0123456789</ISIN>
    </FinInstrmId>
    <QtyAndAcctDtls>
      <StlmQty>
        <Qty>
          <FaceAmt>4650000</FaceAmt>
        </Qty>
      </StlmQty>
      <SfkpgAcct>
        <Id>11111111</Id>
      </SfkpgAcct>
    </QtyAndAcctDtls>
  </SctiesStlmTxInstr>

```

```

<StlmParams>
  <SctiesTxTp>
    <Cd>COLO</Cd>
  </SctiesTxTp>
  <XpsrTp>
    <Cd>BFWD</Cd>
  </XpsrTp>
  <Trckg>
    <Ind>true</Ind>
  </Trckg>
</StlmParams>
<RcvgStlmPties>
  <Dpstry>
    <Id>
      <AnyBIC>DTCYUS33</AnyBIC>
    </Id>
  </Dpstry>
  <Pty1>
    <Id>
      <PrtryId>
        <Id>1111</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty1>
  <Pty2>
    <Id>
      <PrtryId>
        <Id>4444</Id>
        <Issr>DTCYID</Issr>
      </PrtryId>
    </Id>
  </Pty2>
</RcvgStlmPties>
</SctiesStlmTxInstr>
</Document>

```

End of tracking

<pre> <Document 023.001> <SciesStlmTxInstr> <TxId>Instruction1</TxId> <StlmTpAndAddtlParams> <SciesMvmntTp>DELI</SciesMvmntTp> <Pmt>FREE</Pmt> </StlmTpAndAddtlParams> <TradDtls> <TradDt> <Dt> <Dt>2016-06-16</Dt> </Dt> </TradDt> <StlmDt> <Dt> <Dt>2016-06-20</Dt> </Dt> </StlmDt> <DealPric> <Tp> <Yidd>>true</Yidd> </Tp> <Val> <Amt Ccy="USD">97.9</Amt> </Val> </DealPric> </TradDtls> <FinInstrmId> <ISIN>US0123456789</ISIN> </FinInstrmId> <QtyAndAcctDtls> <StlmQty> <Qty> <FaceAmt>4650000</FaceAmt> </Qty> </StlmQty> <SfkpgAcct> <Id>111111111</Id> </SfkpgAcct> </QtyAndAcctDtls> </pre>	<pre> <StlmParams> <SciesTxTp> <Cd>COLO</Cd> </SciesTxTp> <XpsrTp> <Cd>BFW</Cd> </XpsrTp> <Trckg> <Ind>>false</Ind> </Trckg> </StlmParams> <RcvgStlmPties> <Dpstry> <Id> <AnyBIC>DTCYUS33</AnyBIC> </Id> </Dpstry> <Pty1> <Id> <PrtryId> <Id>1111</Id> <Issr>DTCYID</Issr> </PrtryId> </Id> </Pty1> <Pty2> <Id> <PrtryId> <Id>4444</Id> <Issr>DTCYID</Issr> </PrtryId> </Id> </Pty2> </RcvgStlmPties> </SciesStlmTxInstr> </Document> </pre>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



XI. Appendix A

The section below will provide a more detailed explanation of the message type usage and defining elements of the collateral instructions for specific markets (only using ISO 15022 messages)

1. Broker Owned Collateral Movement Instructions – US Market Practice

Collateral Ownership Indicator:

Income Tracking Indicator:

Broker (If applicable for FED/DTC collateral instructions)

When the Investment Manager elects to pledge or receive certain interest bearing instruments as broker owned collateral, it then is necessary for the bank to use the appropriate tracking codes within the respective depository to trigger the appropriate income tracking on those movements. The need is for a codeword to indicate the transaction should be setup for income/repo tracking within the respective CSD.

Currently today, there are special codes that need to be populated when the Custodian Bank is instructing the FED and DTC. Once Custodians receive the codes on the collateral instructions, they are required to enter this into their National Book Entry System for the FED or DTC.

- RPST – Income tracking start codeword used by FED
- CLRP – Income tracking close codeword used by FED
- 220 – Income tracking start codeword used by DTC
- 230 – Income tracking close codeword used by DTC

The FED uses codewords with acronyms translating to repo start and close (RPST and CLRP) for repo income tracking because at the time the codes were created only repos were collateralized. Many other types of securities are collateralized now (ex. MBS) for Investment Manager to Custodian Bank communication of the income tracking start and end. The recommendation is to populate the original collateral instructions with codes that are not specific to repo income tracking to more accurately reflect the markets expanded business scenarios, even though the FED has not changed their codes that are required by the Custodian Banks.

Many Custodian Banks have standing instructions via SLA to default all collateral settling with the DTC and FED as tracking income. It has been agreed that the use of the Untracked income codeword (22F::TRAK//UNTR) should be provided to notify a Custodian that a specific piece of collateral should not be income tracked at the CSD and should override any standing instructions already agreed between Investment Manager and Custodian Bank via SLA.

It should be noted that certain MBS instruments (FNMA's, FSHLMCs and GNMA's) are required to always be tracked for income by the FED. It is strongly recommended these types of collateral instruments are not populated using the Untracked income tracking codeword (22F::TRAK//UNTR).

- **Receipt of broker owned collateral:**

MT540/541 – Receipt Messages	
Format and Code	Definition
22F::SETR//COLI	Broker Owned
22F::TRAK//TRAC	Codeword to identify as start of income tracking
Codeword should translate to FED required repo tracking code RPST when PSET = FRNYUS33	

Codeword should translate to DTC required repo tracking code **220** when PSET = DTCYUS33

- **Return of broker owned collateral:**

MT542/543 – Delivery Messages	
Format and Code	Definition
22F::SETR//COLI	Broker Owned
22F::TRAK//TRAC	Codeword to identify as start of income tracking
Codeword should translate to FED required repo tracking code CLRP when PSET = FRNYUS33	
Codeword should translate to DTC required repo tracking code 230 when PSET = DTCYUS33	

2. Client Owned Collateral Movement Instructions – US Market

Collateral Ownership Indicator:

- **Recalling a security (client owned):**
An instruction to the Custodian Bank from the Investment Manager to receive a security from the broker to the clients Custodian account.

MT540 with 22F::SETR//COLO
Collateral return from collateral position (SR 2007 MT540/541 COLL + CLNT)

- **Pledging a security (client owned):**
An instruction to the Custodian Bank from the Investment Manager to deliver a security from the clients Custodian account to a broker or a segregated account at the Custodian on behalf of the broker.

MT542 with 22F::SETR//COLO
Lending collateral delivery to collateral position (SR 2007 MT542/543 COLL + CLNT)

If it is a mark-up, ie, the receipt of more collateral to adjust the position to the market value:
MT 540 COLI will be used by the collateral taker getting more collateral from the collateral giver.
MT 542 COLO will be used by the collateral giver giving more collateral to the collateral taker.

If it is a mark-down, ie, the return of some collateral to adjust the position to the market value:
MT 542 COLI will be used by the collateral taker to return some of the collateral to the collateral giver.
MT 540 COLO will be used by the collateral giver to get back some of the collateral from the collateral taker.

Collateral Type Indicator:

MT540/MT542 with 22F::COLA//__	
Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
BFWD	Bond Forward Domestic collateral
CCPC	CCP Collateral – this is collateral that is covering the initial margin requirements for OTC trades clearing through a CCP.
EQPT	Equity Option
FORW	Forward FX trade
FUTR	Futures and all Futures Clearing Merchant (FCM) collateral

MT540/MT542 with 22F::COLA//___ Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
OTCD	OTC Derivatives covered under a Credit Support Master Agreement
REPO	Repurchase Agreement
RVPO	Reverse Repo collateral
SHSL	Short Sale
SLEB	Securities Lending and Borrowing
TBAS	TBA related collateral
Note: FORX FX trades in general, collateralization of spot FX deals is not applicable, only FORW is recommended.	

Income Tracking Indicator:

When the Investment Manager elects to pledge or receive certain interest bearing instruments as client owned collateral, it then is necessary for the bank to use the appropriate tracking codes within the respective depository to trigger the appropriate income tracking on those movements. The need is for a codeword to indicate the transaction should be setup for income/repo tracking within the respective CSD.

Currently today, there are special codes that need to be populated when the Custodian Bank is instructing the FED and DTC. Once Custodians receive the codes on the collateral instructions, they are required to enter this into their National Book Entry System for the FED or DTC.

RPST – Income tracking start codeword used by FED
 CLRP – Income tracking close codeword used by FED
 220 – Income tracking start codeword used by DTC
 230 – Income tracking close codeword used by DTC

The FED uses codewords with acronyms translating to repo start and close (RPST and CLRP) for repo income tracking because at time the codes were created only repos were collateralized. Many other types of securities are collateralized now (ex. MBS) for Investment Manager to Custodian Bank communication of the income tracking start and end. The recommendation is to populate the original collateral instructions with codes that are not specific to repo income tracking to more accurately reflect the markets expanded business scenarios, even though the FED has not changed their codes that are required by the Custodians.

Many Custodian Banks have standing instructions via SLA to default all collateral settling with the DTC and FED as tracking income. It has been agreed that the use of the Untracked income codeword (22F::TRAK//UNTR) should be provided to notify a Custodian that a specific piece of collateral should not be income tracked at the CSD and should override any standing instructions already agreed between Investment Manager and Custodian Bank via SLA.

It should be noted that certain MBS instruments (FNMA's, FSHLMCs and GNMA's) are required to always be tracked for income by the FED. It is strongly recommended these types of collateral instruments are not populated using the Untracked income tracking codeword (22F::TRAK//UNTR).

- **Pledge of client owned collateral with income tracking:**

MT542/543 - Delivery Messages	
Format and Code	Definition
22F::SETR//COLO	Client Owned
22F::TRAK//TRAC	Codeword to identify as start of income tracking
FED required repo tracking code RPST	
DTC required repo tracking code 220	

- **Release / Recall of client owned collateral with income tracking:**

MT540/541 - Receipt Messages	
Format and Code	Definition
22F::SETR//COLO	Client owned
22F::TRAK//TRAC	Codeword to identify as start of income tracking
FED required repo tracking code CLRP	
DTC required repo tracking code 230	

XII. Appendix B – Cash Collateral Instructions

ISITC Cash Purpose Codewords specific to Cash Collateral Payments

This is a subset of the ISITC Classification Code document Cash Purpose Code list (Section 5.0) located on the Reference Data Working Group web-page. This list is expected to be published through the ISO external code list in the future.

Code	Description
CCPM	Margin variation on trades clearing through a CCP. If the Initial Margin and Variation Margins are netted then the CCPM code word shall still be utilized. The Variation Margin amounts shall be detailed on the Variation Margin Flow report. Therefore the custodians will know the amount of variation margin that was part of the netted variation margin amount associated with an Central Clearing Agreement.
CCPC	Collateral associated with a Central Clearing Agreement that is covering the initial margin requirements for trades clearing through a CCP.
FWBC	Cash collateral payment (segregated). Cash collateral payment against a Master Forward Agreement (MFA) where the cash is held in a segregated account and is not available for use by the client. Includes any instruments with a forward settling date such TBAs, repurchase agreements and bond forwards.
FWCC	Cash collateral payment (for use by client). Cash collateral payment against a Master Forward Agreement (MFA) where the cash is owned and may be used by the client when returned. Includes any instruments with a forward settling date such TBAs, repurchase agreements and bond forwards.
FNET	Cash associated with a netting of futures payments. Refer to CCPM codeword for netting of initial and variation margin through a CCP.
LCOL	Free movement of cash collateral. Cash collateral paid by the borrower is done separately from the delivery of the shares at loan opening or return of collateral done separately from return of the loaned security. Note: common when the currency of the security is different the currency of the cash collateral.
LMEQ	Cash collateral payments resulting from the marked-to-market of a portfolio of loaned equity securities.
LMFI	Cash collateral payments resulting from the marked-to-market of a portfolio of loaned fixed income securities.
LMRK	Cash collateral payments resulting from the marked-to-market of a portfolio of loaned securities where the instrument types are not specified.
LREV	Revenue payments made by the lending agent to the client.
MARG	Daily margin on listed derivatives – not segregated as collateral associated with an FCM agreement. Examples include listed futures and options margin payments; premiums for listed options not covered in the MT54X message.
MGCC	Initial futures margin. Where such payment is owned by the client and is available for use by them on return.
NETT	General code for cash bulking or netting. To be used on a “street/market” movement instruction.
OCCC	Client owned collateral identified as eligible for OCC pledging

Code	Description
OPBC	Cash collateral payment for OTC options associated with an FCM agreement. Where such payment is segregated and not available for use by the client.
OPCC	Cash collateral payment for OTC options associated with an FCM agreement. Where such payment is not segregated and is available for use by the client upon return.
OWNI	Internal cash transfer. Payment from one account to another where both accounts use the same custodian.
RRBN	Cash payment resulting from a Round Robin
RPBC	Bi-lateral repo broker owned collateral associated with a repo master agreement – GMRA or MRA Master Repo Agreements
RPCC	Repo client owned collateral associated with a repo master agreement – GMRA or MRA Master Repo Agreements
SHBC	Short Sale broker owned collateral associated with a prime broker agreement
SHCC	Short Sale client owned collateral associated with a prime brokerage agreement
SWBC	Cash collateral payment for swaps associated with an ISDA agreement. . Where such payment is segregated and not available for use by the client. Includes any cash collateral payments made under the terms of a CSA agreement for instruments such as swaps and FX forwards.
SWCC	Cash collateral payment for swaps associated with an ISDA agreement. Where such payment is not segregated and is available for use by the client upon return. Includes any cash collateral payments made under the terms of a CSA agreement for instruments such as swaps and FX forwards.
TBBC	Cash collateral payment (segregated) for TBA securities associated with a TBA Master Agreement. Where such payment is segregated and not available for use by the client.
TBCC	Cash collateral payment (for use by client)for TBA securities associated with a TBA Master Agreement. Where such payment is not segregated and is available for use by the client upon return.



Code	Description