CSDR Buy-in Process: Reporting to the CSD

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Changes to previous versions			
Version 2.4 October 2021	Type of change	Update to section III. Acivity Diagram	
Version 2.3 July 2021	Type of change	BPSS code	
Version 2.2 April 2021	Type of change	ISO20022 illustration added	
Version 2.1 August 2020	Type of change	Removal of 2 flows Typo corrections Some additional clarifications on the MT530	

I. Scope and definitions:

The CSD Regulation on Settlement Efficiency mandates a buy-in process if the delivering party is unable to deliver the securities.

Although the CSD is not part of the business flow to execute the buy-in , the CSD's obligation is

- to record-keep "Value of bought-in financial instruments: " RTS 2017/394 annex 4 field 24 a)

- to report "the number and Euro-equivalent value of buy-in transactions referred to in Article 7(3) of Regulation (EU) No 909/2014" art 42 RTS 2017/392

The scope of this document is to describe ISO15022 and ISO20022 solutions to provide the necessary information to the CSD so that the CSDs can fulfil their role under the CSDR:

- In ISO15022 information is provided via **MT530** Transaction Processing Command message

- In ISO20022 there is a pair of messages dedicated solely to regulatory buy-in reporting:

  sese.041 BuyInRegulatoryAdvice and related optional **sese.042** - Buy-InRegulatoryAdviceResponse – used to provide confirmation or rejection reason of the received advice.

II. Actors and Roles:

This paragraph describes the roles and actors involved in the process described in the market practice document.

Roles:
- Buyer = Receiver = Non Failing Party = Receiving Trading Party = RTP. For trades cleared by a CCP this is the Receiving Clearing member.
- Seller = Failing Delivery Trading Party = FDTP. For trades cleared by a CCP this is the Delivering Clearing member.
- Buy-in Agent = BIA
- CCP
- CSD
- Custodian (Global / Local)
- National Competent Authority (NCA)

If the original transaction between delivering trading party and receiving trading party fails to settle on Intended Settlement Date (ISD), an extension period starts in which it is still possible to settle the transaction late but without buy-in. The extension period can take 4, 7 or 15 days, depending on the financial instrument and the market on which the trade took place.

At the end of the extension period and for trades not cleared by a CCP, the RTP triggers the buy-in process and appoints a Buy-in Agent, responsible to execute the buy-in.
For flows where the trades are cleared by a CCP, it is the CCP who has the obligation to initiate the buy-in process and to report to the CSD.

Several results are possible:

1. The buy-in is successful, in one or in several trades
2. Only part of the position could be bought in : partial buy-in
3. The buy-in is unsuccessful, neither in one nor in any of the several trades.

If the buy-in is unsuccessful or partially successful, a cash compensation is calculated and paid by the FDTP (on top of the buy-in fees and commissions).

At the end of the period foreseen for the buy-in, the receiving party can trigger a deferral. This gives the BIA another period, equal to the original period, to set-up a deal for the missing securities position.

The results of the buy-in are communicated to the CSD by the RTP or the CCP, but following the settlement chain. The RTP will communicate to its (global) custodian, who will forward to the local custodian or to the CSD participant. The CSD participant will forward to the CSD

The CSD stores the information received in line with the regulation and reports the number and value of buy-in transactions to its NCA on a yearly basis. The detailed data needs to be available for adhoc investigations of the NCA.

III. Activity Diagram:

The detailed flow summarizes activity from the original trade failing through completing the buy-in:

1. Original settlement instruction between FDTP and RTP fails to settle due to lack of securities, after the extension period. Both parties are obliged to settle partially any available position, so the buy-in is on the still unsettled part of the initial instruction.
2. At the end of the period foreseen (ISD+4, ISD+7 or ISD+15), the RTP or the CCP appoints BIA
3. BIA confirms acceptance of the mandate to RTP
4. RTP informs FDTP of the initiation of the buy-in process and the appointment of the BIA.
5. FDTP sets original instruction 'on-hold' at CSD using the method that the CSD puts at disposal (a 'normal' MT 530, an MT54x message with :23G:PREA or any other method).

   …… buy-in period …..

6. BIA confirms execution of the buy-in to RTP
7. RTP informs FDP of the buy-in details (quantity, price, cash compensation, settlement date) using the normal communication channels or message formats between trading parties.
8. BIA sends buy-in settlement instruction to CSD
9. RTP sends buy-in settlement instruction to CSD

10a. RTP and FDTP send new settlement instructions for remaining quantity when the buy-in is only partial. These instructions have ISD equal to the one of the original settlement instruction between FDTP and RTP.*

10b. RTP cancels original instruction at CSD*

10c. FDTP cancels original instruction (on-hold) at CSD*11. FDTP pays fees, charges and commissions resulting from the buy-in process to RTP, as well as the cash compensation if any.

* Whilst an order is specified above for steps 10a, 10b and 10c, in reality, the receiving and the failing trading parties should ensure that these steps are carried out by the end of each business day and the order in which they're done may vary.

RTP informs its custodian or the CSD of the buy-in result and the details (quantity, price, cash compensation, settlement date) using a 'buy-in' MT530. If the buy-in happened in different trades, the information sent to the CSD is the aggregated information (see below).

The reporting to the CSD is an independent process from the processing of the settlement instructions as described above.

As from the ISD until the moment both parties cancel the original instruction, settlement fail penalties are calculated for the original failed instruction, to be paid by the FDTP. In the flow described above, the, FDTP is penalised because of its lack of securities as of step 1, and because of having the instruction on hold as of step 5.

The settlement instructions to settle the buy-in (introduced by the BIA and the RTP) can settle in the same or in a different CSD, depending on the place of trade. These instructions carry the indicator :22F::SETR//BYIY in sequence E, Settlement Details (in ISO 15022) or value 'BYIY' code in the ISO transaction type code - sese.023, Settlement Parameters/Securities Transaction Type/Code (in ISO20022), to indicate that they are related to a buy-in.

In case of a partial buy-in the RTP and the FDTP send new settlement instructions for the remaining quantity. They will carry the field :22F::STCO/BPSS in sequence E – Settlement Details (in ISO15022) or value BPSS in SctiesSttlmTxInstr/SttlmParams/SttlmTxCond/Prtry/Id (in ISO20022) , as this will influence the penalty calculation i.e. they will not incur late matching fail penalties despite being sent with an ISD in the past.[1] Settlement fail penalties will be calculated normally.

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[1] BPSS is a code valid as of SR2021, replacing previously used BSSP (with a Data Source Scheme). Some parties may accept both BPSS and BSSP (with a Data Source Scheme) for a specified period of time. For example, T2S will only support BSSP code until future T2S upgrade.
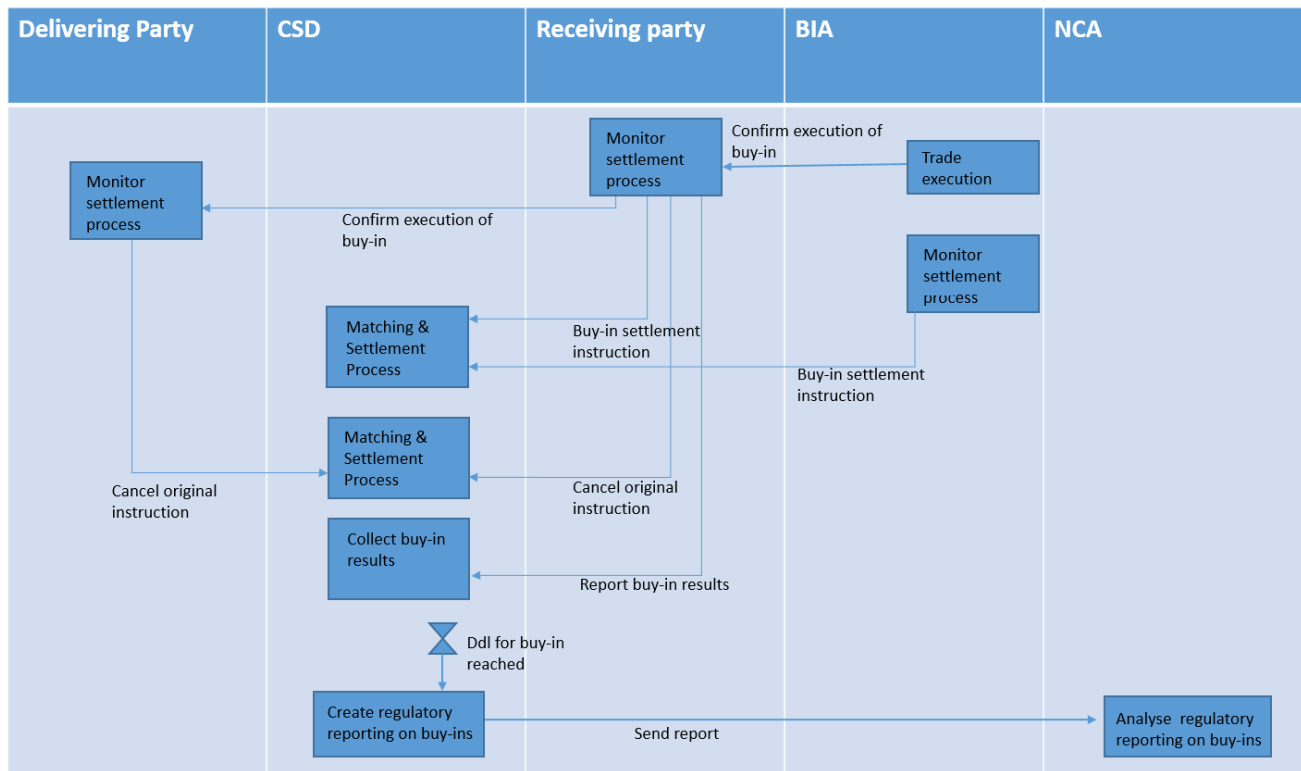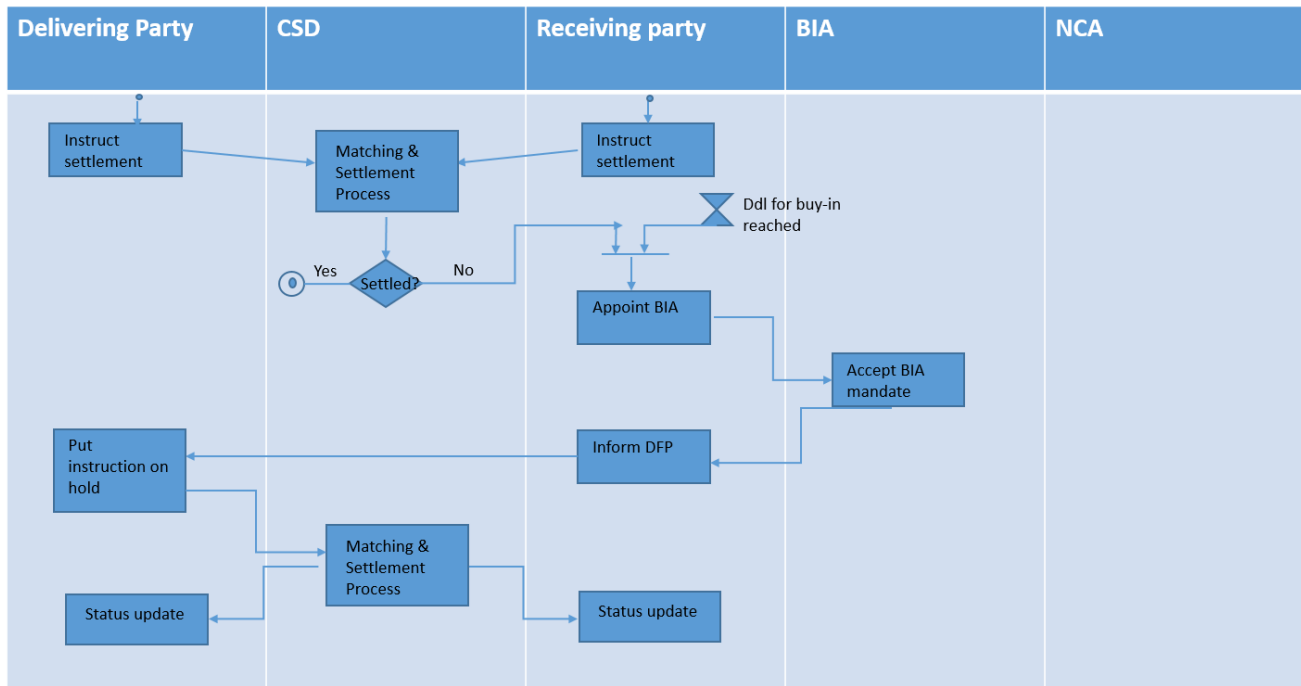
IV. Sequence Diagrams:

A sequence diagram describes the high level communication requirements a business process requires. It shows the typical exchanges of Messages in the context of a transaction.

Note that for the same business process, there may be more than two actors/roles involved having different communication requirements.

V. Business data requirements:

Business data requirement section describes the business information that will be needed for the business process to take place

A. **Report to the CSD**

Business elements	Additional information
Message reference	Unique reference of the MT530/ sese.041 message
Reference of the failing settlement instruction	SEME reference of the initial, failing settlement instruction. Other references, such as the account servicer reference and the market infrastructure (MITI) reference can also be provided.
Safekeeping Account to be credited or debited	Safekeeping account of the original, failing settlement instruction
Financial Instrument	ISO 6166 International Securities Identification Number [ISIN] ISIN of the original , failing settlement instruction
Quantity of securities bought in	Reported in existing field :36B::SETT Quantity of securities bought in. In case of a partial settlement and/or in case of a partial buy-in this amount will be different from the settlement amount in the original instruction. In case of an unsuccessful buy-in, this amount will be 0 or the field will not be reported <Qty> (ISO20022)
Price of the securities bought in	:90A::BYIY//PRCT//15d or

	:90B::BYIY//ACTU//3a!15d (ISO15022) <BuyInPric> (ISO20022)
Cash Compensation amount	The amount paid as cash compensation in case of a partial or unsuccessful buy-in. :19A::BCAM//3a!15d (ISO15022) <CshCompstnAmt> (ISO20022)
Buy-in date	Settlement date of the buy-in :98A::EFFD//YYYYMMDD (ISO15022) <BuyInSttlmDt> (ISO20022)
Buy-in process indicator	Indicates if the buy-in was successful, unsuccessful or partial. :22F::BYIY//BSSY, :22F::BYIY//BSSN and :22F::BYIY//BSSP, respectively (ISO15022) <BuyInStat>BSSY</BuyInStat> and <BuyInStat>BSSP</BuyInStat> (ISO20022)
Deferral indicator	Indicates if a deferral took place or not. :22F::BDEF//DEFY, :22F::BDEF//DEFN, respectively (ISO15022) <BuyInDfrrl>DEFY</BuyInDfrrl>, <BuyInDfrrl>DEFN</BuyInDfrrl> (ISO20022)

VI. Market Practice Rules:

For the message sent to the CSD to report on the execution of the buy-in, the following rules apply:

1. A single MT 530/ sese.041 message can only be used for one purpose at the time: either to update the processing parameters of an instruction not yet end-of-life or to provide the CSD with the information on a buy-in.

The presence of the field :22F::BYIY will indicate that the MT530/ sese.041 contains buy-in information and any other information requesting an update of processing parameter eventually present in the same message will be ignored.. Absence of this field indicates a request to modify processing parameters of the underlying instruction.

2. The RTP or its custodian must report on the results of the buy-in to the CSD where the original failing instruction was received. This is independent of where the buy-in instruction settles. If the original failed

settlement instruction was a cross CSD settlement, the CSD that received the buy-in information will not forward it to the settling CSD.

The CSD will only report to the NCA on buy-ins initiated for failing settlement instructions that were processed in the same CSD.

Buy-in information received by a CSD for original failing instructions that were NOT processed in the CSD, will be disregarded and not reported to the NCA. The sending of a rejection message in this case, is optional.

3. Where a buy-in is taking place in several steps, it will always be possible for participant to send provisional, partial information. The CSD will in such case always consider only the last message. Every new MT530 will cancel and replace any previously sent message for this transaction.

The CSD will not aggregate the information contained in several MT530/ sese.041. It will be the responsibility of the RTP to provide final aggregated information.

As a consequence,

- the quantity of securities bought in should always reflect the aggregated quantity of the securities bought in so far in case of multiple buy-in (i.e. incremental)

- the price of the securities bought in will need to reflect the weighted average price of the aggregated quantity of the securities bought in so far in case of multiple buy-in.

- the settlement date of the buy-in reported is the date of the last buy-in trade if the buy-in is executed in case multiple trades.

4. An MT530/ sese.041 can only report on the buy-in process related to one failing settlement instruction. The references are used to identify this failing settlement instructions. If the buy-in requires several trades, point 3 describes how to report them.

5. The buy-in price can be reported in the currency of the price (for an actual amount) or in the denomination of the financial instrument (if the price is reported as a percentage).

The presence of the buy-in date will allow the CSD to convert the price in EUR if needed.

6. Sending an acknowledgement back to the sender of the MT530 is optional.

7. In case of a cross-CSD settlement, the FDP or its custodian will send the buy-in reporting to the investor CSD who will report to the NCA. The buy-in report will not be forwarded to the issuer CSD.

VII. ISO 15022 illustration:

Key fields of the MT530 message if used to report on the result of a buy-in:

Data	ISO 15022
Sender's Message Reference of the MT530	:20C::SEME//16x
Safekeeping Account	:97A::SAFE//35x
SEME of the failing instruction	:20C::PREV//16x Other references can also be provided, in the relevant fields.
Buy-in indicator	:22F::BYIY//4!a
Deferral Indicator	:22F::BDEF//4!a
Financial Instrument	:35B:ISIN1!e12!c [4*35x]
Quantity of Financial Instrument bought in	:36B::SETT//UNIT/15d or :36B::SETT//FAMT/15d
Price of the securities bought in	:90A::BYIY//PRCT/15d or :90B::BYIY//ACTU/3!a15d
Cash compensation amount	:19A::BCAM//3!a15d
Settlement date of the Buy-in	:98A::EFFD//YYYYMMDD

Some examples of the different use cases:

	Buy-in processing indicator	Quantity of securities bought in	Cash compensation amount:	Price of the securities bought in
Securities with nominal expressed in value Buy-in successfully executed.	:22F::BYIY//BSSY	:36B::SETT//FAMT/1000,		:90A::BYIY//PRCT/100,25
Securities with nominal expressed in value Buy-in not executed, full cash compensation of 1200 EUR	:22F::BYIY//BSSN		:19A::BCAM//EUR1200,	
Securities with nominal expressed in value Buy-in executed in	:22F::BYIY//BSSP	:36B::SETT//FAMT/400,	:19A::BCAM//EUR600,	:90A::BYIY//PRCT/100,25

partial, partial cash compensation			
Securities with nominal expressed in unit Buy-in successfully executed.	:22F::BYIY//BSSY	:36B::SETT//UNIT/1000,		:90B::BYIY//ACTU/EUR10,8
Securities with nominal expressed in unit Buy-in not executed , full cash compensation	:22F::BYIY//BSSN		:19A::BCAM//EUR1200,	
Securities with nominal expressed in unit Buy-in executed in partial, partial cash compensation	:22F::BYIY//BSSP	:36B::SETT//UNIT/400,	:19A::BCAM//EUR600,	:90B::BYIY//ACTU/EUR10,8

VIII. ISO 20022 illustration:

Key fields of the sese.041 message if used to report on the result of a buy-in:

Data	ISO 20022
Sender's Message Reference	Reference provided in BAH
Safekeeping Account	<SfkpgAcct> <Id>…</Id> </SfkpgAcct>
Reference of the failing instruction	<Ref> <AcctOwnrTxId>…</AcctOwnrTxId> <AcctSvcrTxId>…</AcctSvcrTxId> </Ref>
Buy-in indicator	<BuyInStat>
Deferral Indicator	<BuyInDfrrl>
Financial Instrument	<FinInstrmId> <ISIN>…</ISIN> </FinInstrmId>
Quantity of Financial Instrument bought in	<Qty> <Unit>…</Unit> or <FaceAmt>…</FaceAmt> or </Qty>
Price of the securities bought in	<BuyInPric>
Cash compensation amount	<CshCompstnAmt>
Settlement date of the Buy-in	<BuyInSttlmDt>

Some examples of the different use cases:

	Buy-in processing indicator	Quantity of securities bought in	Cash compensation amount:	Price of the securities bought in
Securities with nominal expressed in value Buy-in successfully executed.	<BuyInStat>BSSY</BuyInStat>	<FaceAmt> 1000 </FaceAmt>		<BuyInPric> <Rate>100.25</Rate> </BuyInPric>
Securities with nominal expressed in value Buy-in not executed, full cash compensation of 1200 EUR	<BuyInStat>BSSN</BuyInStat>		<CshCompstnAmt> <Amt Ccy="EUR"> 1200</Amt> </CshCompstnAmt>	

Securities with nominal expressed in value
Buy-in executed in partial, partial cash compensation
	`<BuyInStat>BSSP</BuyInStat>`	`<FaceAmt>`
		400
		`</FaceAmt>`
			`<CshCompstnAmt>`
			`<Amt Ccy="EUR">`
			600`</Amt>`
			`</CshCompstnAmt>`
				`<BuyInPric>`
				`<Rate>100.25</Rate>`
				`</BuyInPric>`

Securities with nominal expressed in unit
Buy-in successfully executed.
	`<BuyInStat>BSSY</BuyInStat>`	`<Unit>`
		1000
		`</Unit>`
				`<BuyInPric>`
				`<Amt Ccy="EUR">`
				10.8`</Amt>`
				`</BuyInPric>`

Securities with nominal expressed in unit
Buy-in not executed , full cash compensation
	`<BuyInStat>BSSN</BuyInStat>`		`<CshCompstnAmt>`
			`<Amt Ccy="EUR">`
			1200`</Amt>`
			`</CshCompstnAmt>`	

Securities with nominal expressed in unit
Buy-in executed in partial, partial cash compensation
	`<BuyInStat>BSSP</BuyInStat>`	`<Unit>`
		400
		`</Unit>`
			`<CshCompstnAmt>`
			`<Amt Ccy="EUR">`
			600`</Amt>`
			`</CshCompstnAmt>`
				`<BuyInPric>`
				`<Amt Ccy="EUR">`
				10.8`</Amt>`
				`</BuyInPric>`