



## **Bi-lateral Security Collateral Market Practice**

Status:	Draft
Preparation date:	July, 2012
Update date:	Month YYYY
Update. Impl. date:	Month YYYY
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The Securities Market Practice Group is a group of experts that represents local markets or market infrastructures and who devote their time on a voluntary basis to define global and local market practices for the benefit of the securities industry. The time spent is sponsored by the market players. 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 efficiently as possible. For more information on the MP release cycle please refer to the SMPG by-laws document section 4 on [www.smpg.info](http://www.smpg.info).

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Changes to previous versions			
Version 1.0	Initial	Conversion of ISITC Security Collateral MP into SMPG template	All

## I. Scope and definitions:

The scope of this market practice is to clarify usage recommendations for settling security collateral instructions utilizing ISO15022 and ISO20022 standards. The initial version of this market practice will only include the ISO15022 syntax recommendations. Once the ISO20022 reverse engineering project is complete, additional appendices will be added to highlight the ISO20022 suite of messages.

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
- ISO20022 messaging formats

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 is available through the SMPG website, [www.smpg.info](http://www.smpg.info).

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.

## 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.

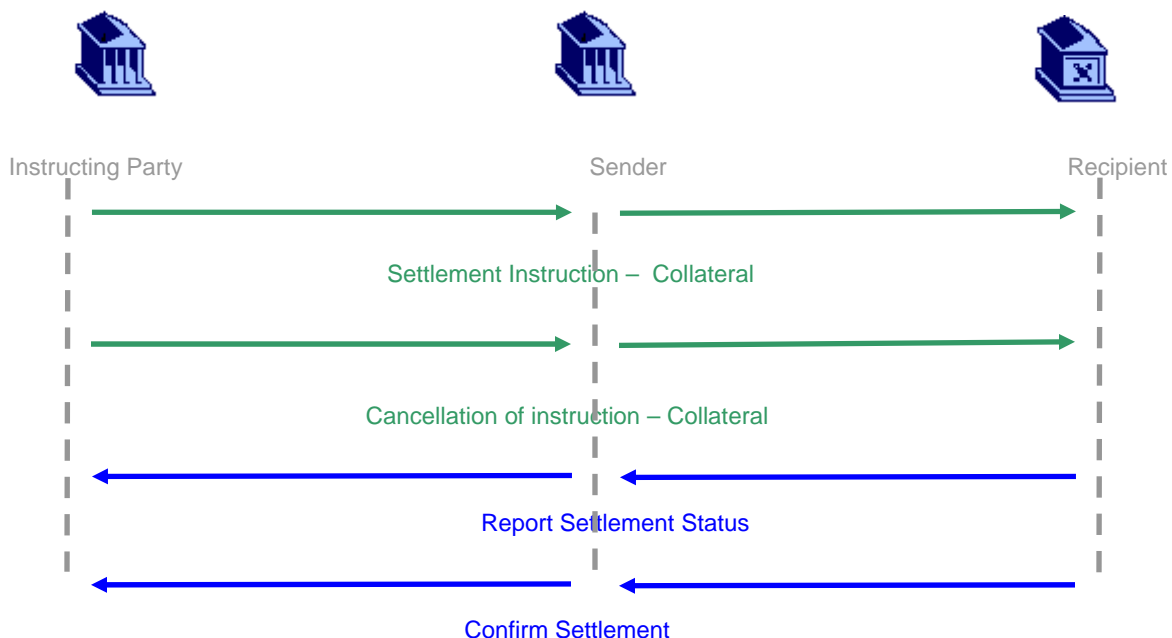
NOTE : A described Business Process may contain other Business Processes that will not necessarily in details  
EXAMPLE: very basic, only for illustration purposes.

### 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:

Business Element	Comments
<b>Initiation – Free Delivery and Receipt Message</b>	
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.
<b>Confirmations</b>	
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
<b>Cancellations</b>	
Linked reference	A link is required to the previous collateral instruction on cancellations

## 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 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 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.

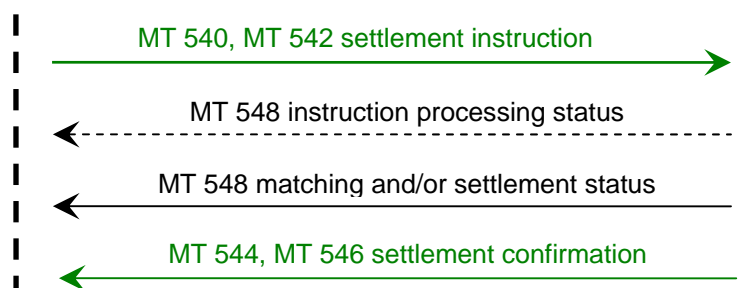
### 5. Tri-party Client owned Collateral Segregation Instructions

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

### 6. Tri-party Collateral Approval to release by Brokers

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

## VII. ISO 15022 illustration:



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

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

### 1. Broker Owned 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
/ISIT/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



MT540/MT542 with 22F::COLA//__	
Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
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.	
Note: CCPC is not a valid ISO15022 codeword under the COLA qualifier. The ISIT data source scheme must be present to be sent over network.	

**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 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
/ISIT/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.	
Note: CCPC is not a valid ISO15022 codeword under the COLA qualifier. The ISIT data source scheme must be present to be sent over network.	

#### 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 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 Tri-party Collateral Transactions

Refer to Tri-Party Collateral Management Market Practice for business data element requirements and market practice rules on usage of MT527 message.

### 5. Tri-party Collateral Approval to release by Brokers

Refer to Tri-Party Collateral Management Market Practice Appendix A for business data element requirements and market practice rules on usage of MT527 message.

- **Message Structure and Requirements**

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::ISIN1!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 :97A::SAFE/[8c]/4!c/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	<b>Message reference</b>	:16R:GENL
:20C::SEME//1234		:20C::SEME//56789
:23G:NEWM		:23G:CANC
		:16R:LINK
	<b>Trade date</b>	:20C::PREV//1234
		:16S:LINK
:16S:GENL		:16S:GENL
:16R:TRADDET		:16R:TRADDET
:98A::TRAD//20090305	<b>Settlement date</b>	:98A::TRAD//20090305
:98A::SETT//20090308	<b>Deal Price</b>	:98A::SETT//20090308
:90B::DEAL//PRCT/USD97,9	<b>Financial instrument</b>	:90B::DEAL//PRCT/USD97,9
:35B:ISIN US0123456789		:35B:ISIN US0123456789
:16S:TRADDET		:16S:TRADDET
:16R:FIAC		:16R:FIAC
:36B::SETT//FAMT/4650000,	<b>Quantity</b>	:36B::SETT//FAMT/4650000,
:97A::SAFE//111111111		:97A::SAFE//111111111
:16S:FIAC		:16S:FIAC
:16R:SETDET		:16R:SETDET
:22F::SETR//COLO	<b>Safekeeping account</b>	:22F::SETR//COLO
:22F::COLA//		:22F::COLA//
:16R:SETPRTY		:16R:SETPRTY
:95R::BUYR/DTCYID/4444		:95R::BUYR/DTCYID/4444
:16S:SETPRTY	<b>Collateral Indicator</b>	:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95P::REAG//SUBCYY34		:95P::REAG//SUBCYY34
:16S:SETPRTY		:16S:SETPRTY
:16R:SETPRTY	<b>Buyer</b>	:16R:SETPRTY
:95R::REAG/DTCYID/1111		:95R::REAG/DTCYID/1111
:16S:SETPRTY		:16S:SETPRTY
:16R:AMT		:16R:AMT
:95P::PSET//DTCYUS33	<b>Receiving agent</b>	:95P::PSET//DTCYUS33
:16S:AMT		:16S:AMT
:16S:SETDET		:16S:SETDET
	<b>Client of receiving agent</b>	
	<b>Place of settlement</b>	

**Broker Owned Collateral Messaging**

542		542 Cancel
:16R:GENL	<b>Message reference</b>	:16R:GENL
:20C::SEME//1234		:20C::SEME//56789
:23G:NEWM		:23G:CANC
		:16R:LINK
	<b>Trade date</b>	:20C::PREV//1234
		:16S:LINK
:16S:GENL		:16S:GENL
:16R:TRADDET		:16R:TRADDET
:98A::TRAD//20090305		:98A::TRAD//20090305

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

:16R:SETPRTY
:16S:SETDET

:16R:SETPRTY
: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	<b>Message reference</b>	:16R:GENL
:20C::SEME//1234		:20C::SEME//1234
:23G:NEWM		:23G:NEWM
:16S:GENL		:16S:GENL
:16R:TRADEDET	<b>Trade date</b>	:16R:TRADEDET
: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	<b>Settlement date</b>	:35B:ISIN US0123456789
:16S:TRADEDET		:16S:TRADEDET
:16R:FIAC		:16R:FIAC
:36B::SETT//FAMT/4650000,		:36B::SETT//FAMT/4650000
:97A::SAFE//111111111	<b>Deal Price</b>	:97A::SAFE//111111111
:16S:FIAC		:16S:FIAC
:16R:SETDET		:16R:SETDET
:22F::SETR//COLO		:22F::SETR//COLO
:22F::COLA//	<b>Financial instrument</b>	:22F::COLA//
:22F::TRAK//TRAC		:22F::TRAK//TRAC
:16R:SETPRTY		:16R:SETPRTY
:95R::BUYR/DTCYID/4444		:95R::BUYR/DTCYID/4444
:16S:SETPRTY	<b>Quantity</b>	:16S:SETPRTY
:16R:SETPRTY		:16R:SETPRTY
:95R::DEAG/DTCYID/1111		:95R::DEAG/DTCYID/1111
:16S:SETPRTY		:16S:SETPRTY
:16R:SETPRTY	<b>Safekeeping account</b>	:16R:SETPRTY
:95P::PSET//DTCYUS33		:95P::PSET//DTCYUS33
:16R:SETPRTY		:16R:SETPRTY
:16S:SETDET		:16S:SETDET
	<b>Collateral Indicator</b>	
	<b>Tracking Start / End</b>	
	<b>Buyer</b>	
	<b>Delivering agent</b>	
	<b>Place of settlement</b>	

## IX. Appendix

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

### 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 <b>RPST</b> when PSET = FRNYUS33	
Codeword should translate to DTC required repo tracking code <b>220</b> 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 <b>CLRP</b> when PSET = FRNYUS33	
Codeword should translate to DTC required repo tracking code <b>230</b> 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
/ISIT/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

MT540/MT542 with 22F::COLA//____	
Where the blank would be filled with one of the collateral codewords listed below	
Code	Definition
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.	
Note: CCPC is not a valid ISO15022 codeword under the COLA qualifier. The ISIT data source scheme must be present to be sent over network.	

### 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 (FNMAFs, FSHLMCs and GNMAFs) 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:**

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

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

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