# SMPG – Payments Flows

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# Use cases for Nostro accounts

# Use case 1A: Book Transfer
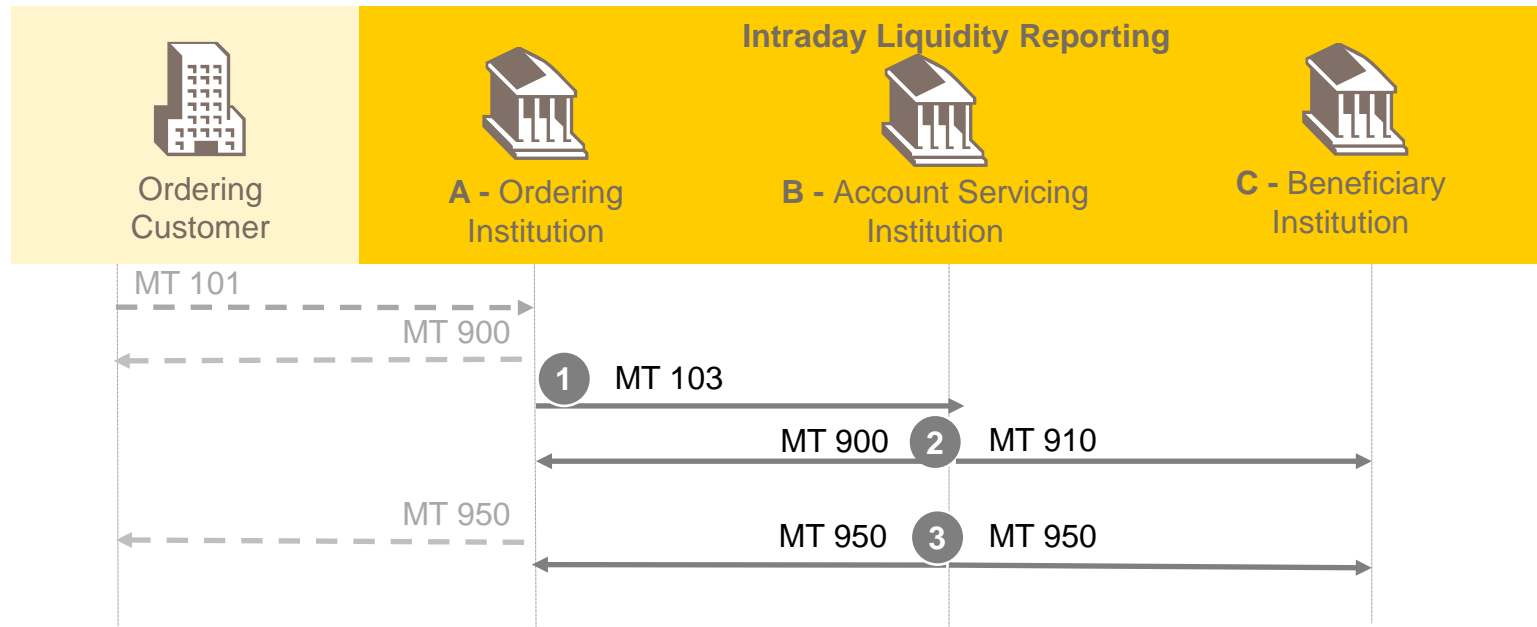


**Intraday Liquidity Reporting**

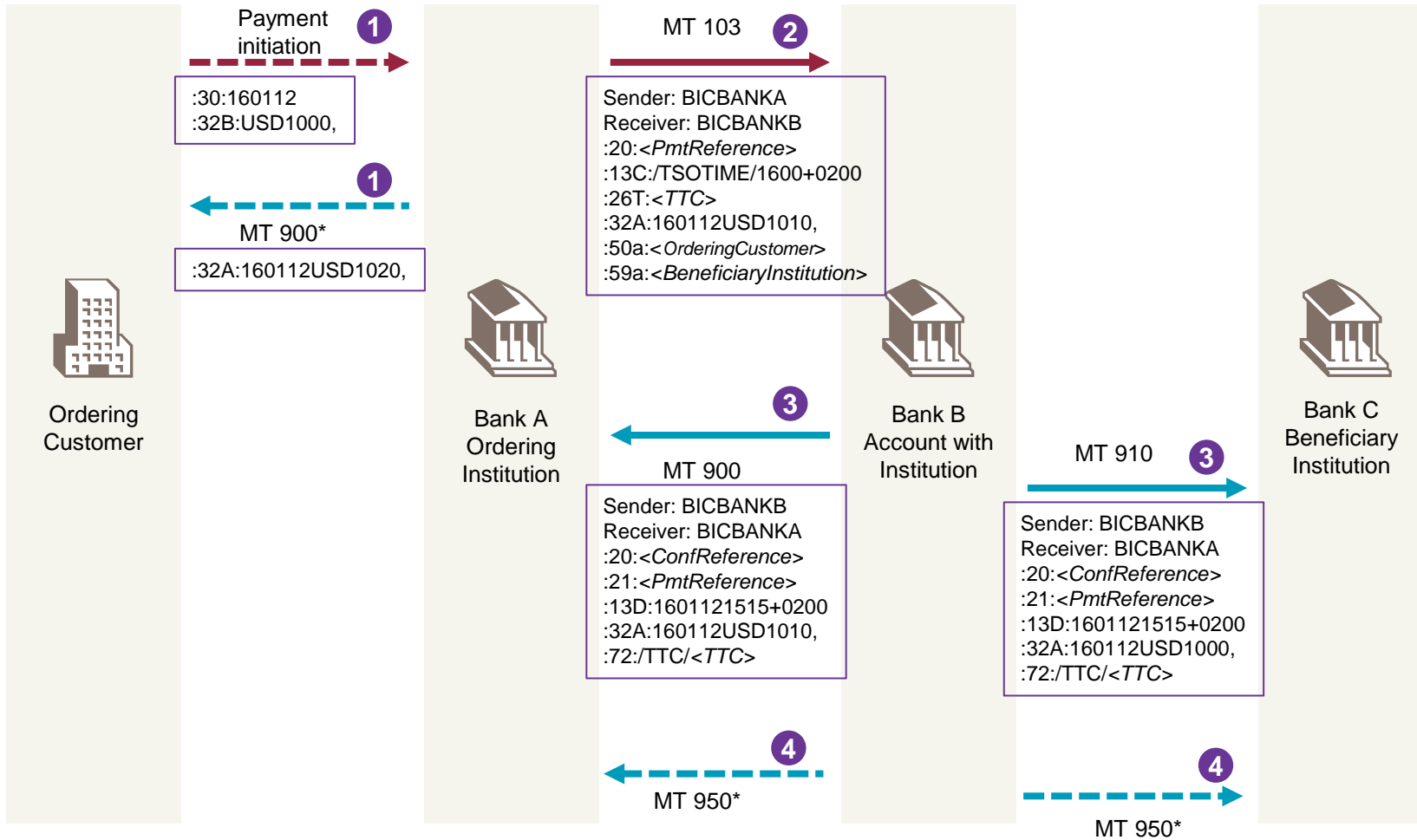| Ordering Customer | A - Ordering Institution | B - Account Servicing Institution | C - Beneficiary Institution |

In a serial payment scenario when the Ordering Institution and the Beneficiary Institution have an account relationship with the same Account Servicing Institution.
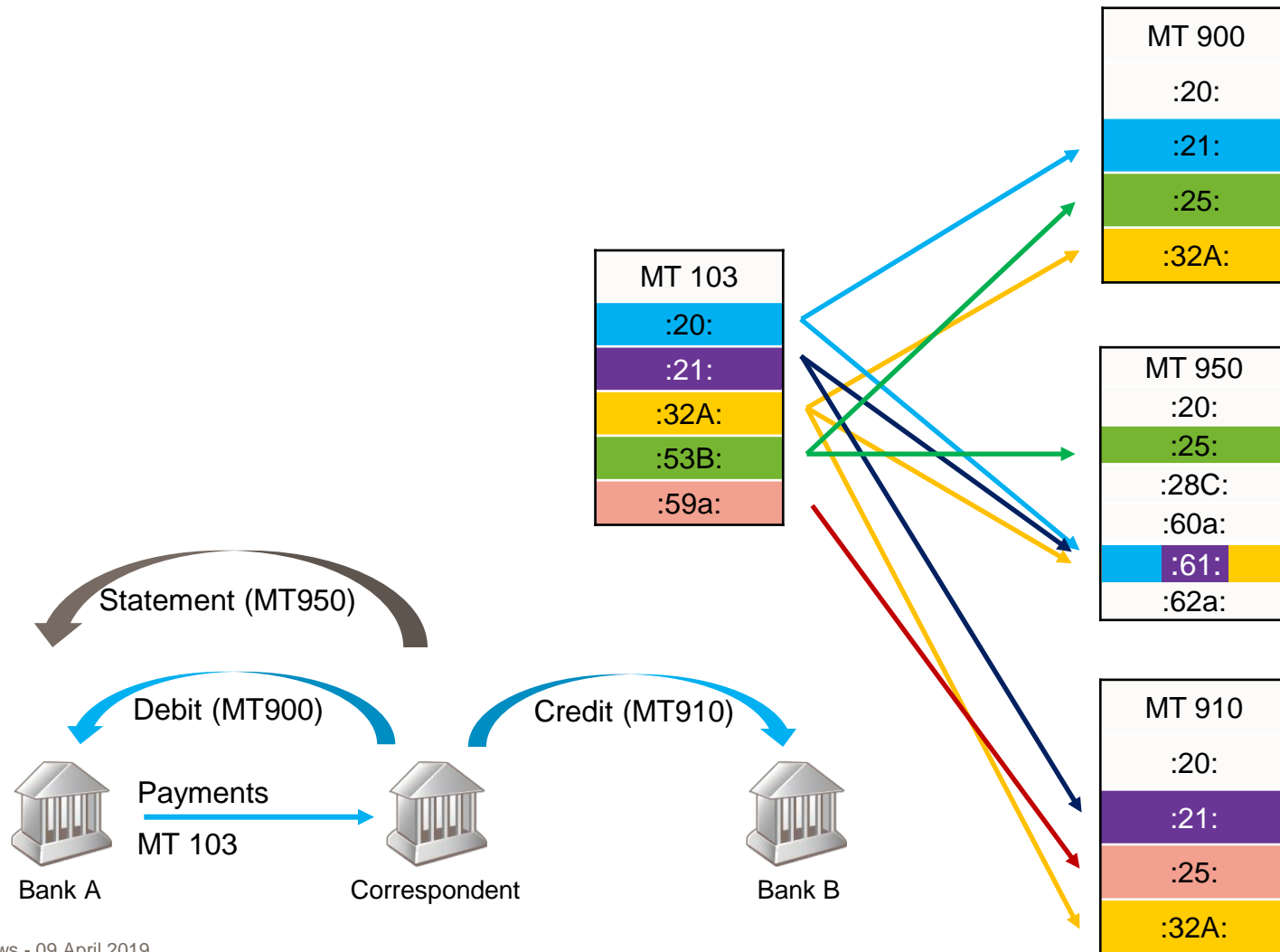The Account Servicing Institution will then execute a book transfer and send a debit confirmation to both the sending institution and the beneficiary institution.

Both the debit and the credit entries should have the exact same value date/time (in field 13D of MT 900 and MT 910).
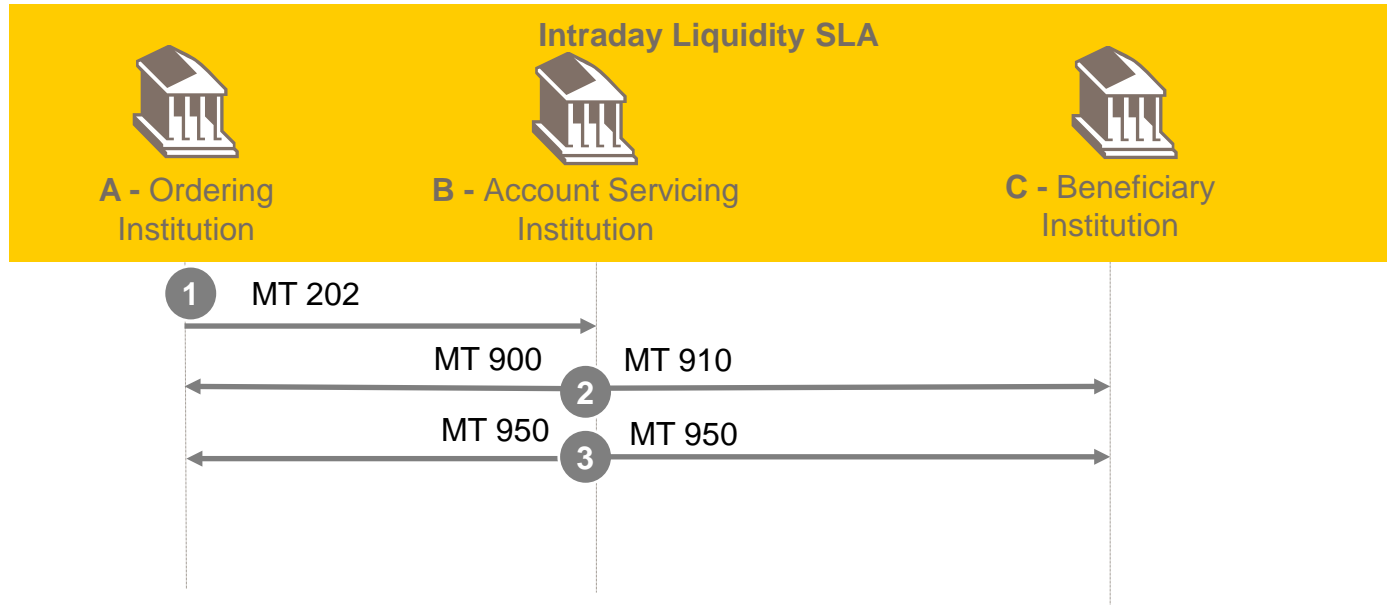
# Use case 1B: Book Transfer using MT 103 with a Beneficiary Institution

**Ordering Customer**

**(1) Payment initiation →**

:30:160112
:32B:USD1000,

**(1) ← MT 900***

:32A:160112USD1020,

**Bank A Ordering Institution**

**(2) MT 103 →**

Sender: BICBANKA
Receiver: BICBANKB
:20:<PmtReference>
:13C:/TSOTIME/1600+0200
:26T:<TTC>
:32A:160112USD1010,
:50a:<OrderingCustomer>
:59a:<BeneficiaryInstitution>

**Bank B Account with Institution**

**(3) ← MT 900**

Sender: BICBANKB
Receiver: BICBANKA
:20:<ConfReference>
:21:<PmtReference>
:13D:1601121515+0200
:32A:160112USD1010,
:72:/TTC/<TTC>

**(4) ← MT 950***

**(3) MT 910 →**

Sender: BICBANKB
Receiver: BICBANKA
:20:<ConfReference>
:21:<PmtReference>
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/<TTC>

**Bank C Beneficiary Institution**

**(4) MT 950* →**

# Identifying the transactions through the references
# MT 103

# Use case 1B: Book Transfer

**Intraday Liquidity SLA**

A - Ordering Institution

B - Account Servicing Institution

C - Beneficiary Institution

**1** MT 202

MT 900    MT 910
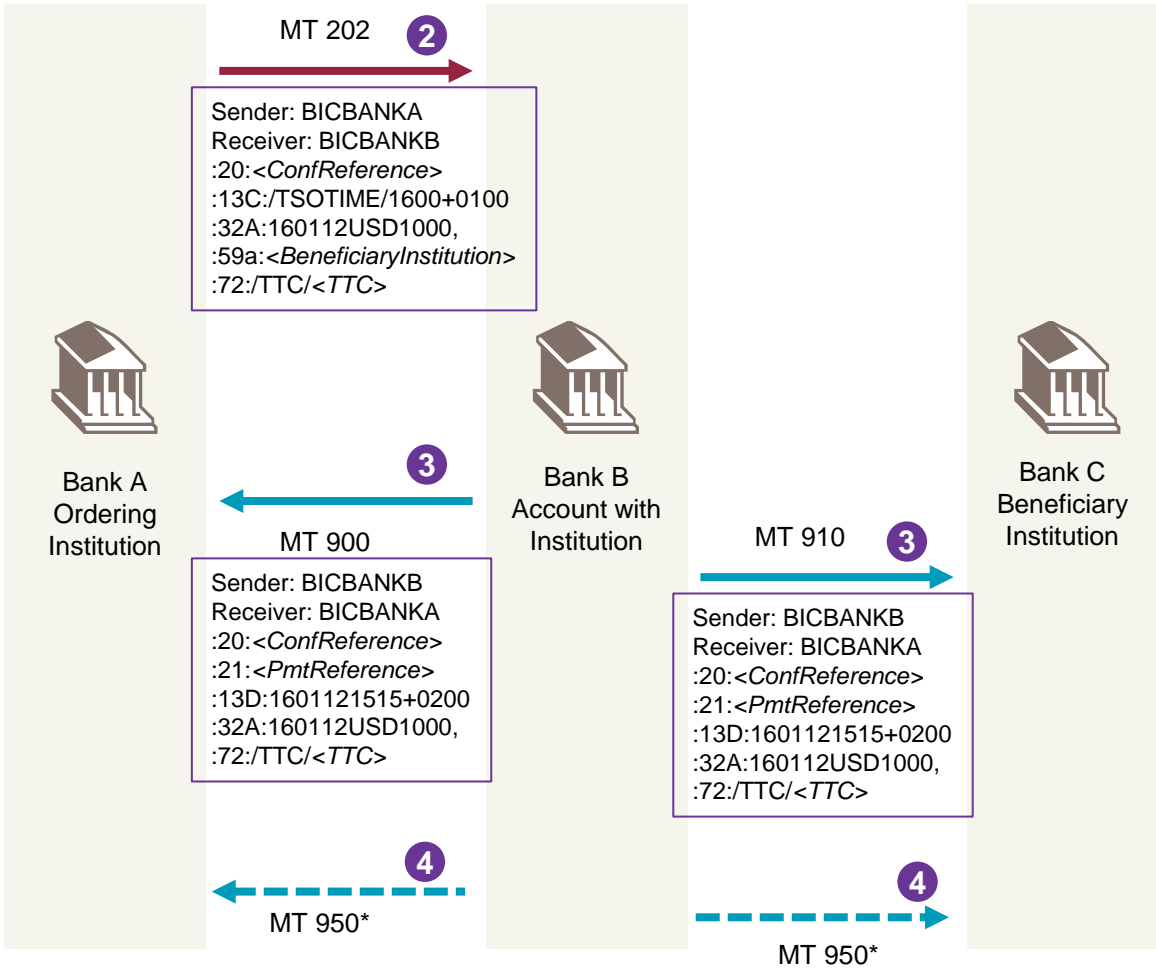
**2**

MT 950    MT 950

**3**

In a serial payment scenario when the Ordering Institution and the Beneficiary Institution have an account relationship with the same Account Servicing Institution.
The Account Servicing Institution will then execute a book transfer and send a debit confirmation to both the sending institution and the beneficiary institution.
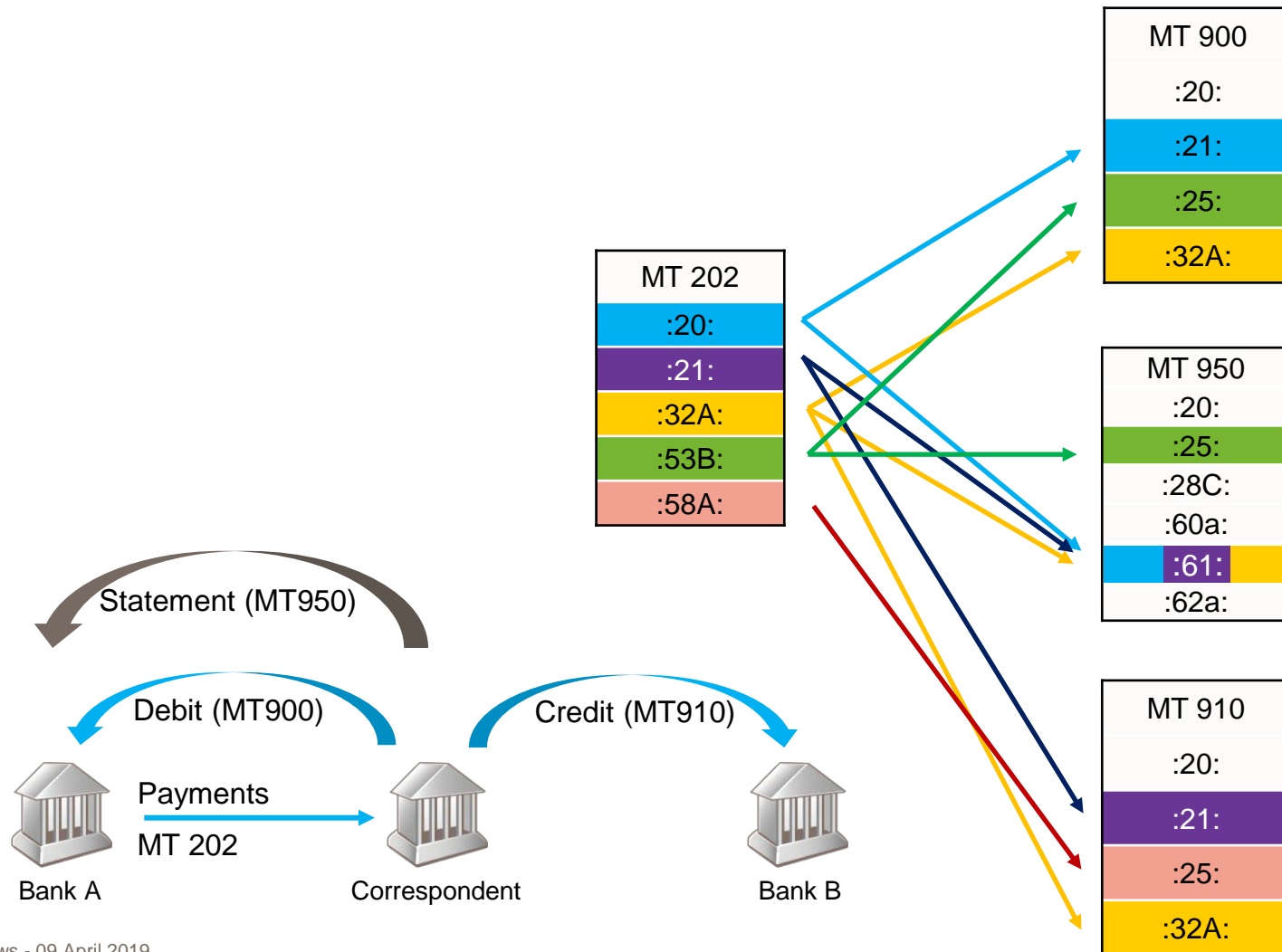
Both the debit and the credit entries should have the exact same value date/time (in field 13D of MT 900 and MT 910).

# Use case 1B: Book Transfer using MT 202



MT 202 ②

Sender: BICBANKA
Receiver: BICBANKB
:20:*<ConfReference>*
:13C:/TSOTIME/1600+0100
:32A:160112USD1000,
:59a:*<BeneficiaryInstitution>*
:72:/TTC/*<TTC>*

Bank A
Ordering
Institution

③

MT 900

Sender: BICBANKB
Receiver: BICBANKA
:20:*<ConfReference>*
:21:*<PmtReference>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

Bank B
Account with
Institution

MT 910 ③

Sender: BICBANKB
Receiver: BICBANKA
:20:*<ConfReference>*
:21:*<PmtReference>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

Bank C
Beneficiary
Institution

④

MT 950*

④

MT 950*

# Identifying the transactions through the references
## MT 202



MT 202
:20:
:21:
:32A:
:53B:
:58A:

MT 900
:20:
:21:
:25:
:32A:

MT 950
:20:
:25:
:28C:
:60a:
:61:
:62a:

MT 910
:20:
:21:
:25:
:32A:

Statement (MT950)

Debit (MT900)

Credit (MT910)

Payments
MT 202

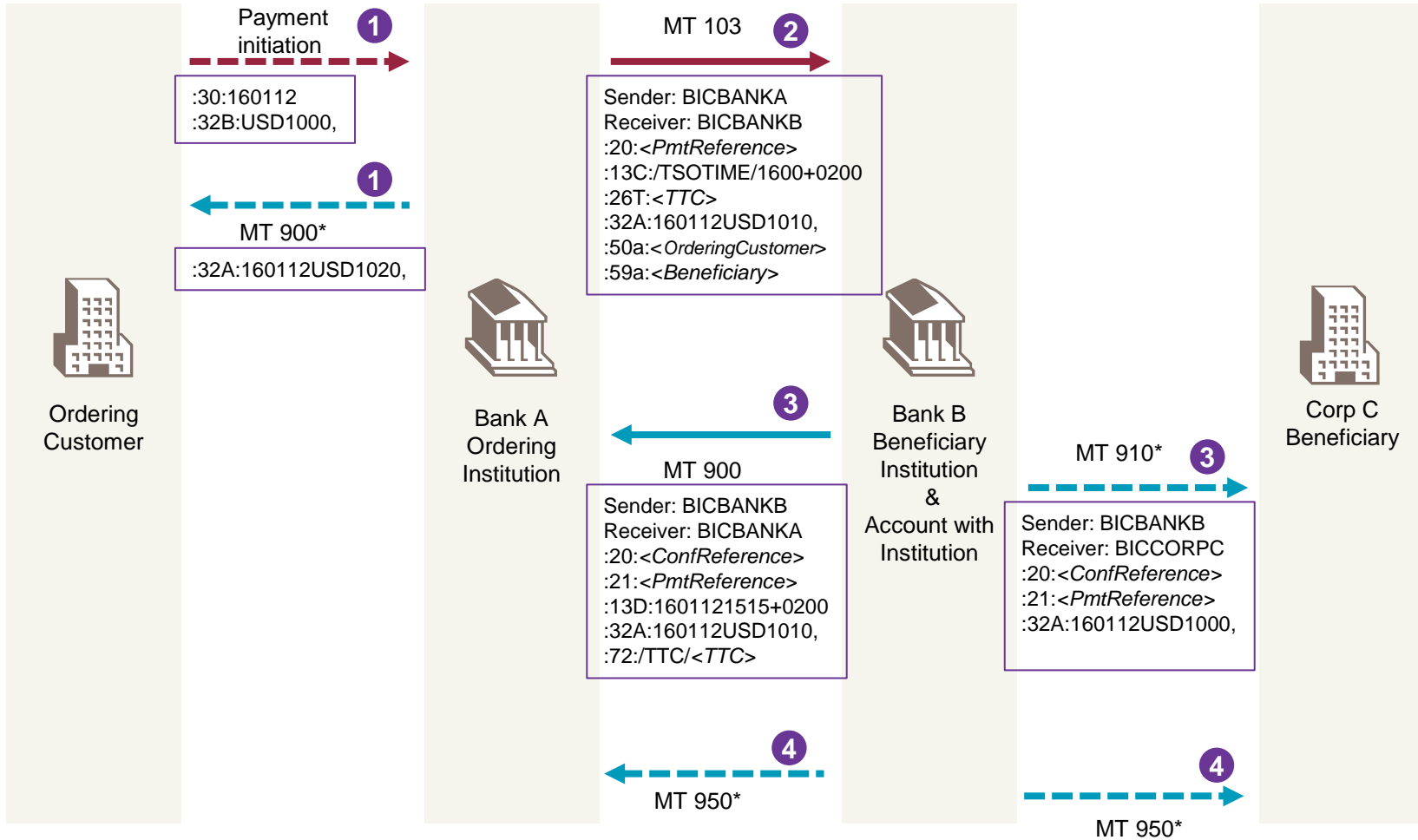Bank A          Correspondent          Bank B
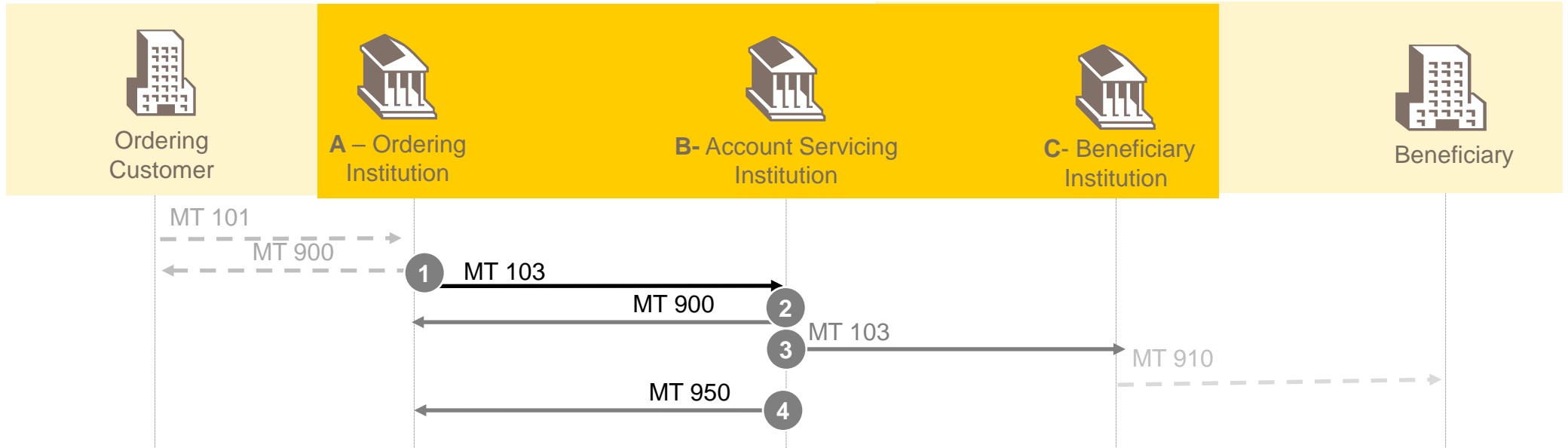
# Use case 2A: Serial payment
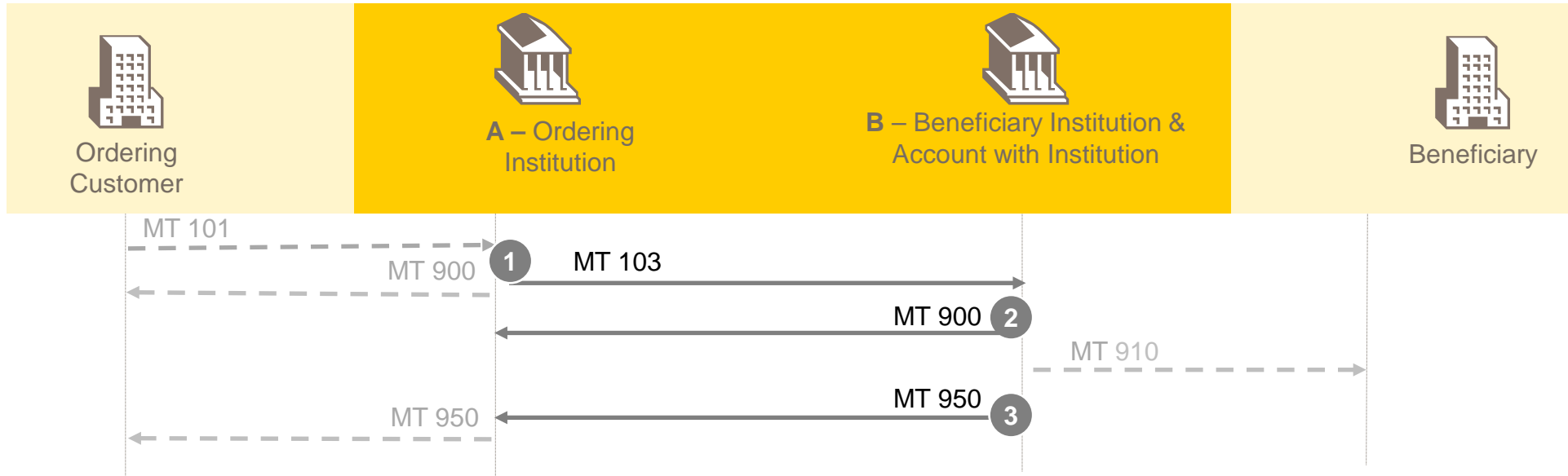


In a serial payment when Debtor Agent A has an account with Creditor's agent B this one will send a debit confirmation for each transaction.

# Use case 2A: Serial payment



Payment initiation ①

```
:30:160112
:32B:USD1000,
```

MT 900* ①

```
:32A:160112USD1020,
```

MT 103 ②

```
Sender: BICBANKA
Receiver: BICBANKB
:20:<PmtReference>
:13C:/TSOTIME/1600+0200
:26T:<TTC>
:32A:160112USD1010,
:50a:<OrderingCustomer>
:59a:<Beneficiary>
```

③ MT 900

```
Sender: BICBANKB
Receiver: BICBANKA
:20:<ConfReference>
:21:<PmtReference>
:13D:1601121515+0200
:32A:160112USD1010,
:72:/TTC/<TTC>
```

MT 910* ③

```
Sender: BICBANKB
Receiver: BICCORPC
:20:<ConfReference>
:21:<PmtReference>
:32A:160112USD1000,
```

Ordering Customer

Bank A Ordering Institution

Bank B Beneficiary Institution & Account with Institution

Corp C Beneficiary

④ MT 950*

MT 950* ④
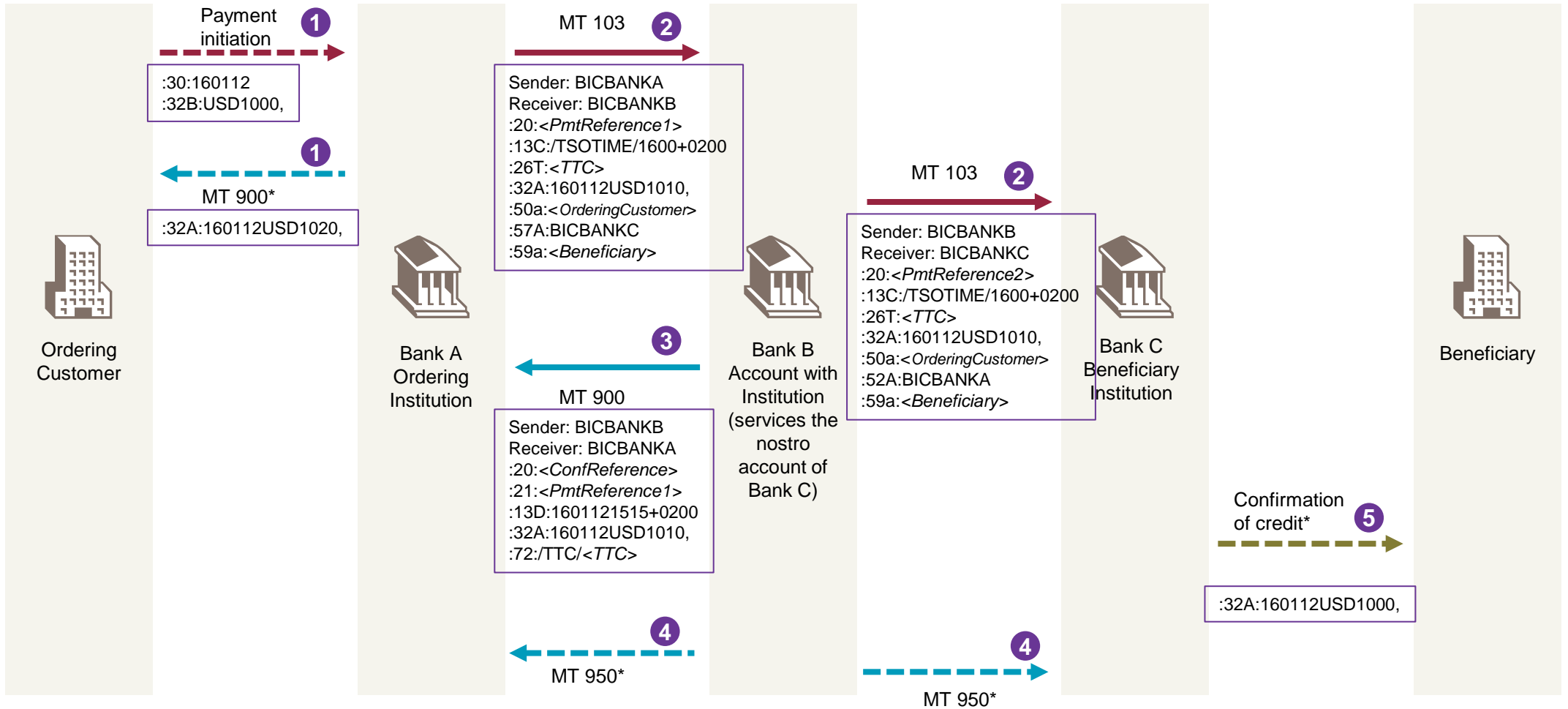
# Use case 2B : Serial Payment



In a serial payment scenario when the Ordering Institution A does not have an account relationship with the Beneficiary Institution, it will send the payment to its Account Servicing Institution B.
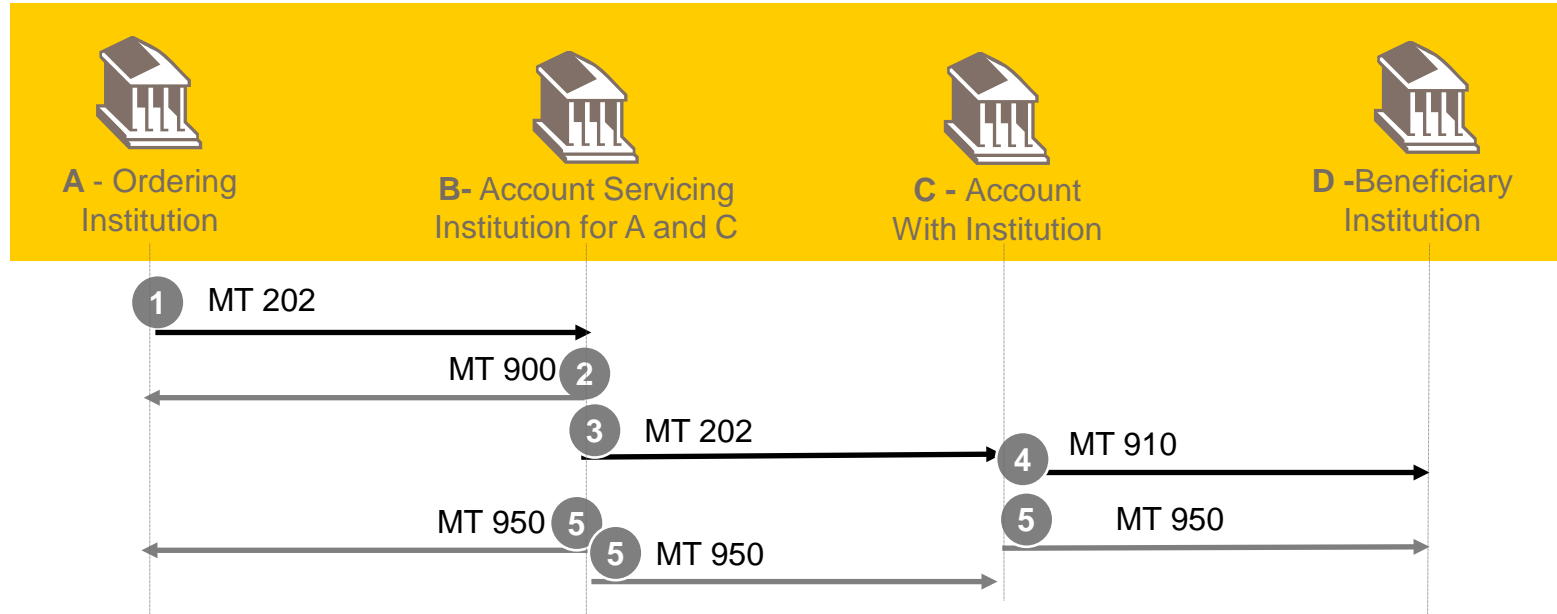The Account Servicing Institution B will debit its account and send a debit confirmation to the ordering institution for each transaction.
It may send the payment instruction to the Beneficiary Institution through an MT 103 or the domestic Market Infrastructure.
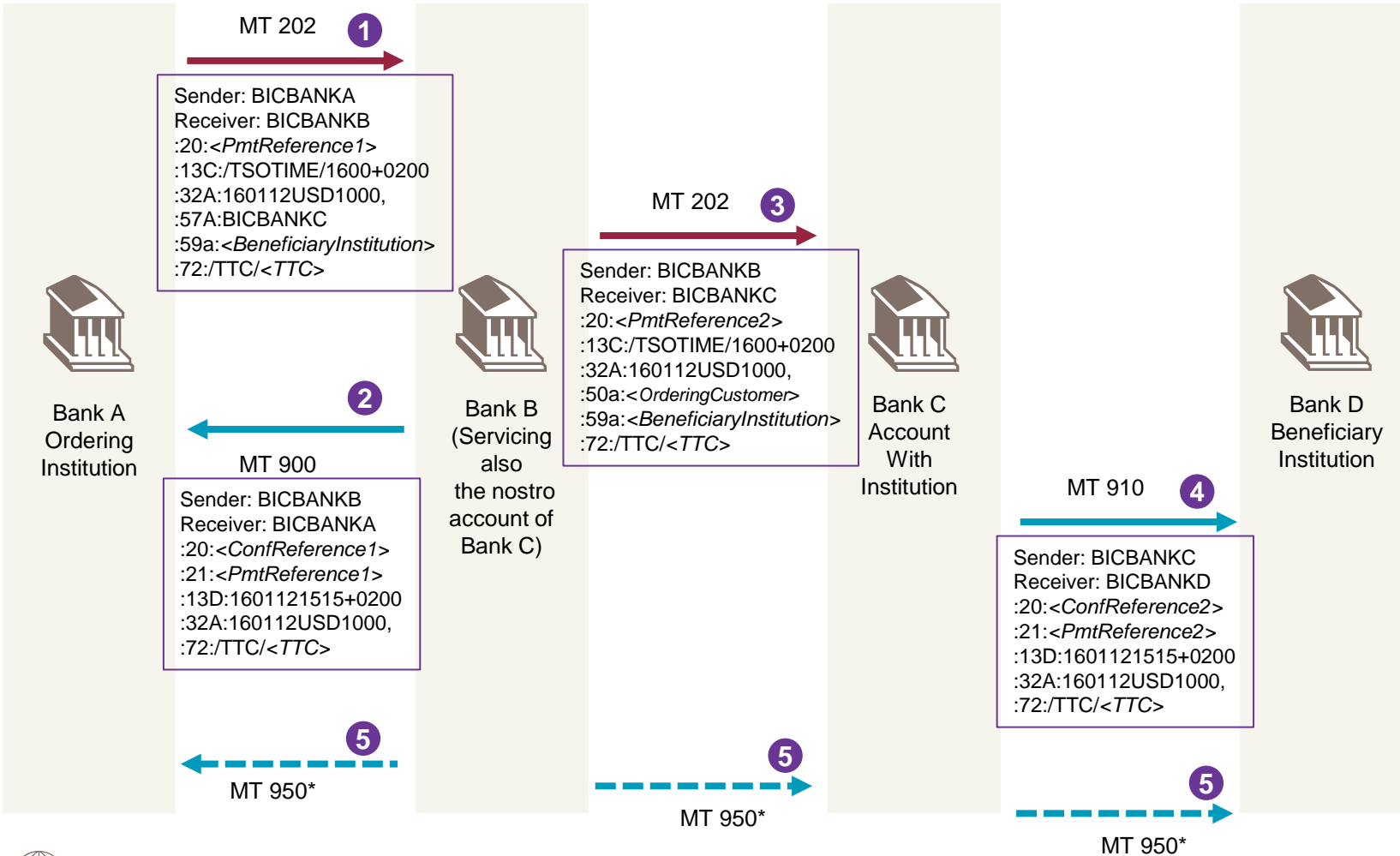
# Use case 2B: Serial payment

**Payment initiation** ①

```
:30:160112
:32B:USD1000,
```

① **MT 900***

```
:32A:160112USD1020,
```

**MT 103** ②

```
Sender: BICBANKA
Receiver: BICBANKB
:20:<PmtReference1>
:13C:/TSOTIME/1600+0200
:26T:<TTC>
:32A:160112USD1010,
:50a:<OrderingCustomer>
:57A:BICBANKC
:59a:<Beneficiary>
```

**MT 103** ②

```
Sender: BICBANKB
Receiver: BICBANKC
:20:<PmtReference2>
:13C:/TSOTIME/1600+0200
:26T:<TTC>
:32A:160112USD1010,
:50a:<OrderingCustomer>
:52A:BICBANKA
:59a:<Beneficiary>
```

③ **MT 900**

```
Sender: BICBANKB
Receiver: BICBANKA
:20:<ConfReference>
:21:<PmtReference1>
:13D:1601121515+0200
:32A:160112USD1010,
:72:/TTC/<TTC>
```

**Confirmation of credit*** ⑤

```
:32A:160112USD1000,
```

④ **MT 950***

④ **MT 950***

**Ordering Customer**

**Bank A Ordering Institution**

**Bank B Account with Institution (services the nostro account of Bank C)**

**Bank C Beneficiary Institution**

**Beneficiary**

# Use case 2C: Serial payment



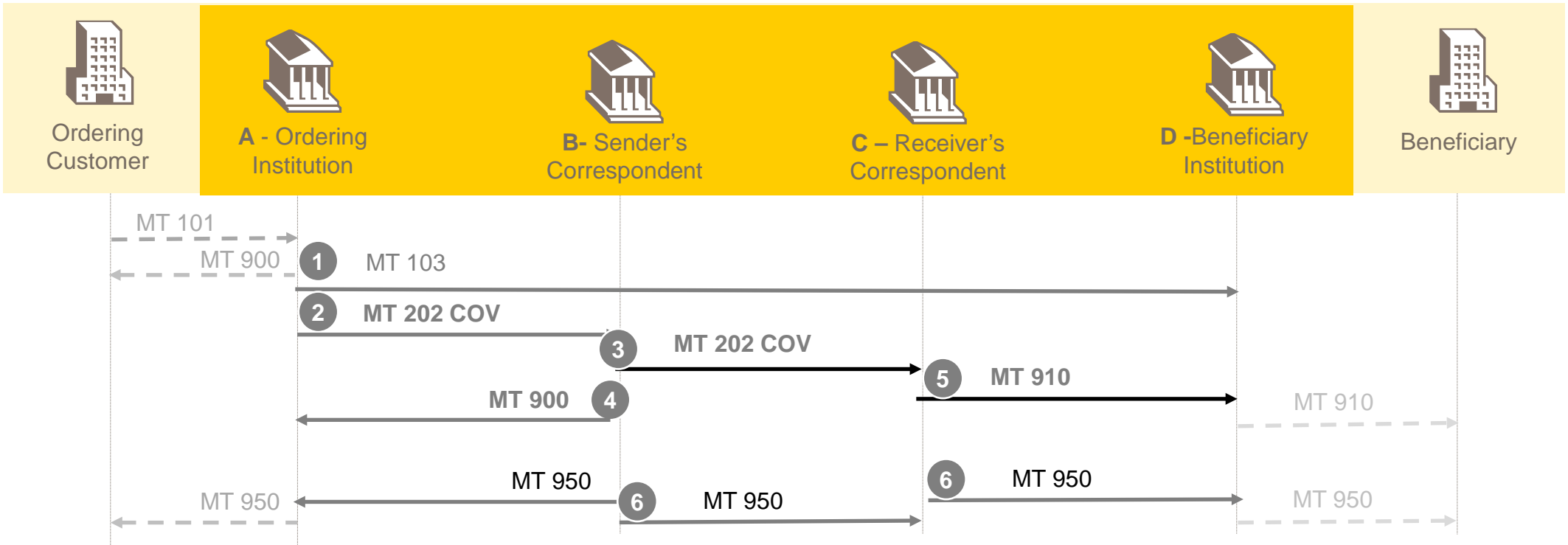In a serial payment scenario when the *Ordering Institution A* does not a direct account relationship with the *Beneficiary Bank D*, each *account servicing institution (B and C)* will respectively confirm the debit and the credit entry on their account. Account Servicing Institution B also services the nostro account for Bank C in the above scenario
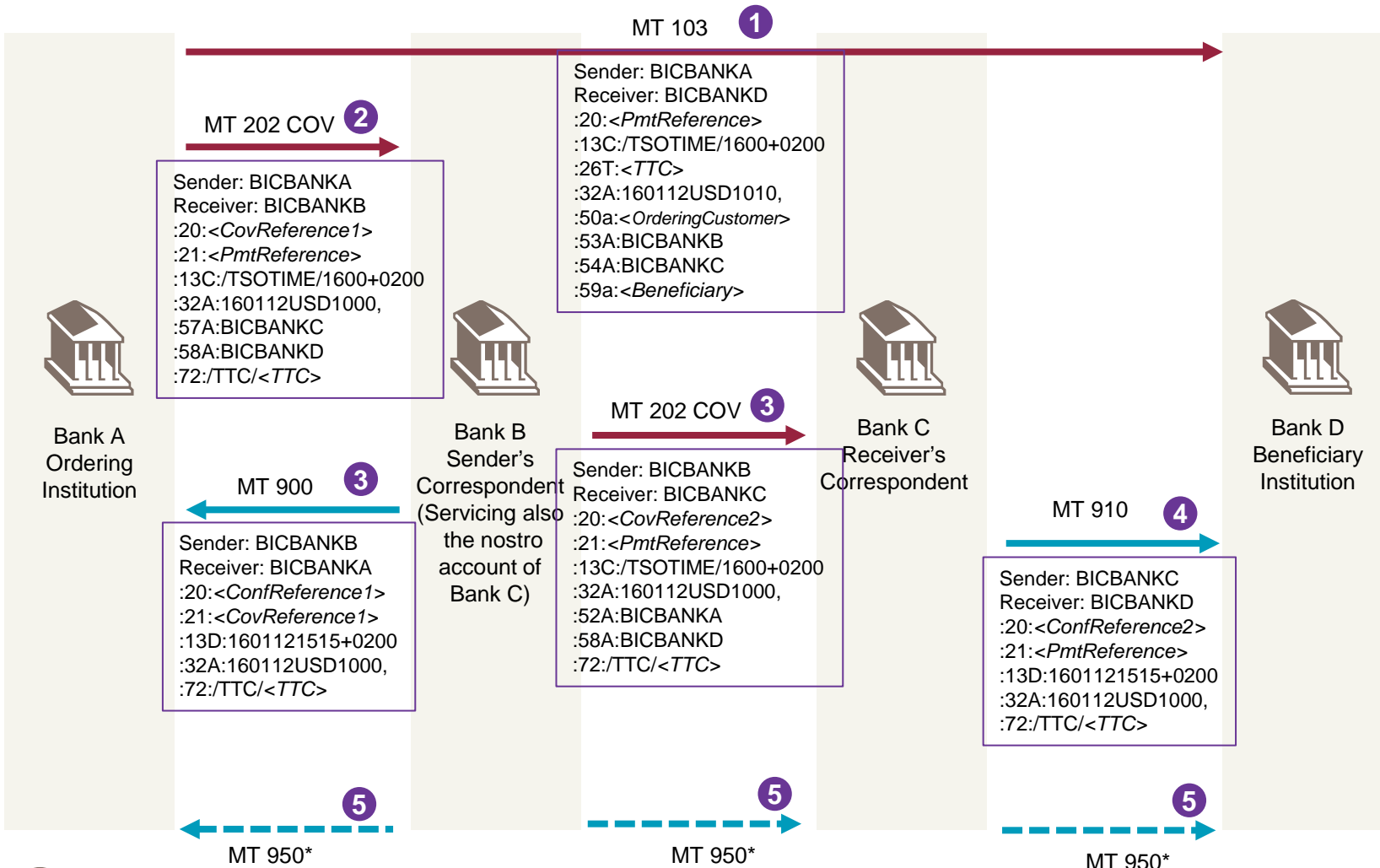
# Use case 2C: Serial payment



**MT 202** ①

Sender: BICBANKA
Receiver: BICBANKB
:20:*<PmtReference1>*
:13C:/TSOTIME/1600+0200
:32A:160112USD1000,
:57A:BICBANKC
:59a:*<BeneficiaryInstitution>*
:72:/TTC/*<TTC>*

**MT 202** ③

Sender: BICBANKB
Receiver: BICBANKC
:20:*<PmtReference2>*
:13C:/TSOTIME/1600+0200
:32A:160112USD1000,
:50a:*<OrderingCustomer>*
:59a:*<BeneficiaryInstitution>*
:72:/TTC/*<TTC>*

**MT 900** ②

Sender: BICBANKB
Receiver: BICBANKA
:20:*<ConfReference1>*
:21:*<PmtReference1>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

**MT 910** ④

Sender: BICBANKC
Receiver: BICBANKD
:20:*<ConfReference2>*
:21:*<PmtReference2>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

Bank A
Ordering
Institution

Bank B
(Servicing
also
the nostro
account of
Bank C)

Bank C
Account
With
Institution

Bank D
Beneficiary
Institution

MT 950* ⑤

MT 950* ⑤

MT 950* ⑤

# Use case 3: Cover payment



| Ordering Customer | A - Ordering Institution | B- Sender's Correspondent | C – Receiver's Correspondent | D -Beneficiary Institution | Beneficiary |

MT 101
MT 900 **1** MT 103
**2** MT 202 COV
**3** MT 202 COV
**5** MT 910
MT 900 **4**
MT 910
MT 950
**6** MT 950
MT 950 **6** MT 950
MT 950 MT 950

In a cover payment scenario if the Ordering Institution and Beneficiary Institution do not have a direct account relationship, and settle the payment through correspondents, which may not be the same for the two Institutions. Each correspondent will send respectively a debit and a credit confirmation.

# Use case 3: Cover payment



**MT 103** ①

Sender: BICBANKA
Receiver: BICBANKD
:20:*<PmtReference>*
:13C:/TSOTIME/1600+0200
:26T:*<TTC>*
:32A:160112USD1010,
:50a:*<OrderingCustomer>*
:53A:BICBANKB
:54A:BICBANKC
:59a:*<Beneficiary>*

**MT 202 COV** ②

Sender: BICBANKA
Receiver: BICBANKB
:20:*<CovReference1>*
:21:*<PmtReference>*
:13C:/TSOTIME/1600+0200
:32A:160112USD1000,
:57A:BICBANKC
:58A:BICBANKD
:72:/TTC/*<TTC>*

**MT 202 COV** ③

Sender: BICBANKB
Receiver: BICBANKC
:20:*<CovReference2>*
:21:*<PmtReference>*
:13C:/TSOTIME/1600+0200
:32A:160112USD1000,
:52A:BICBANKA
:58A:BICBANKD
:72:/TTC/*<TTC>*

**MT 900** ③

Sender: BICBANKB
Receiver: BICBANKA
:20:*<ConfReference1>*
:21:*<CovReference1>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

**MT 910** ④

Sender: BICBANKC
Receiver: BICBANKD
:20:*<ConfReference2>*
:21:*<PmtReference>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

Bank A
Ordering
Institution

Bank B
Sender's
Correspondent
(Servicing also
the nostro
account of
Bank C)

Bank C
Receiver's
Correspondent

Bank D
Beneficiary
Institution

⑤ MT 950*

⑤ MT 950*

⑤ MT 950*

# Use case 4: Use of messages for cash reporting
## Payments messages

In a serial payment scenario when the sender is the account servicing institution and the account owner institution is not the end beneficiary of the funds, the payments message (Cat 1,2) should be used as the confirmation of the movement on the account.
**In that case no MT 910 will be sent to the account owner institution.** In all other scenarios the payment message will not be used to report on a debit or credit entry to the account
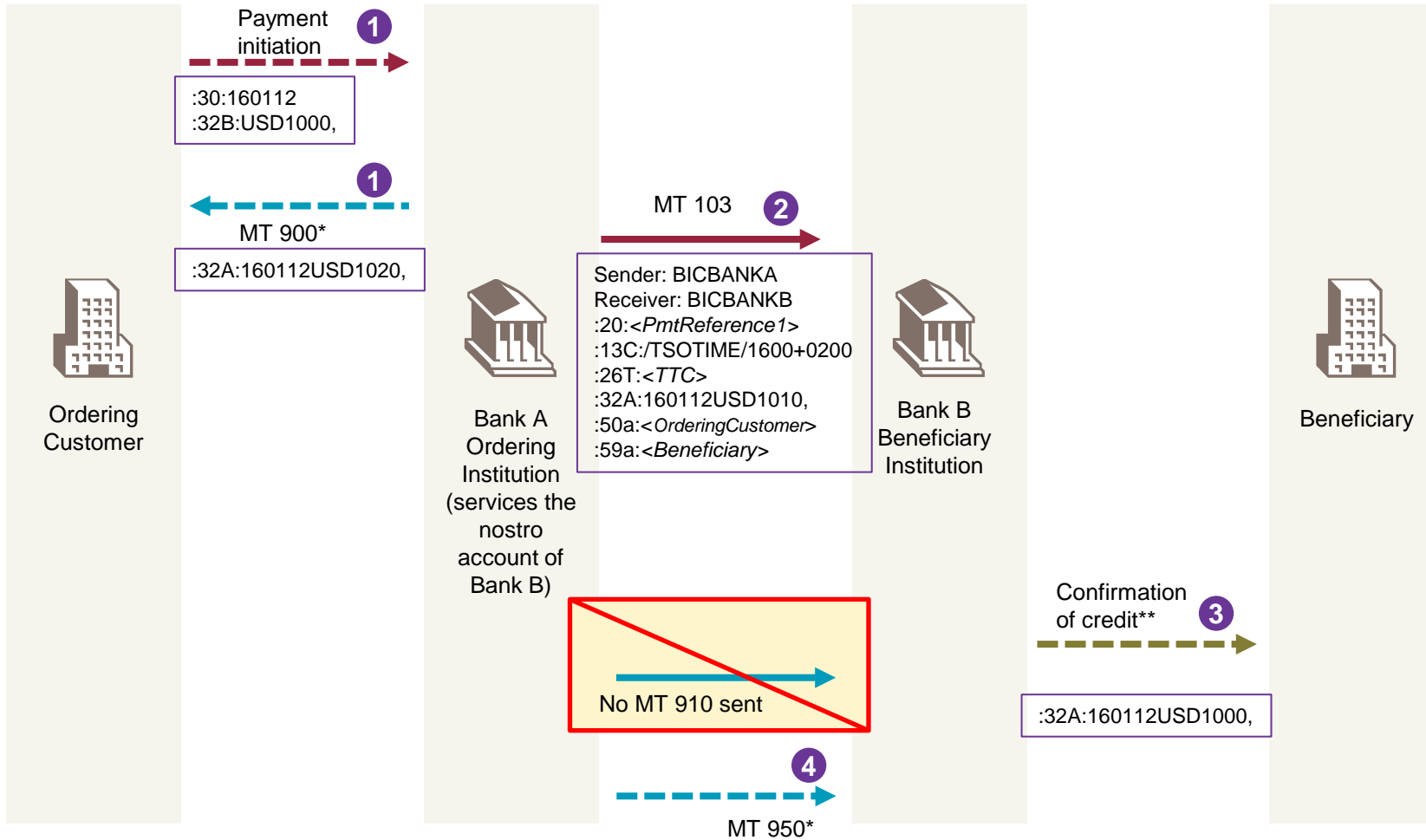


Bank A

MT 103 / MT 202
(we have credited
your account)

Bank B

MT 910

Beneficiary

Bank A
Account

Account B Bank
B @ Bank A

Liquidity Balance
Account B

Internal
Account

Beneficiary
Account

Beneficiary may
be a:
• Corporate
• Branch
• Retail
• Individual

500 €          500 €          500 €

500 €          500 €
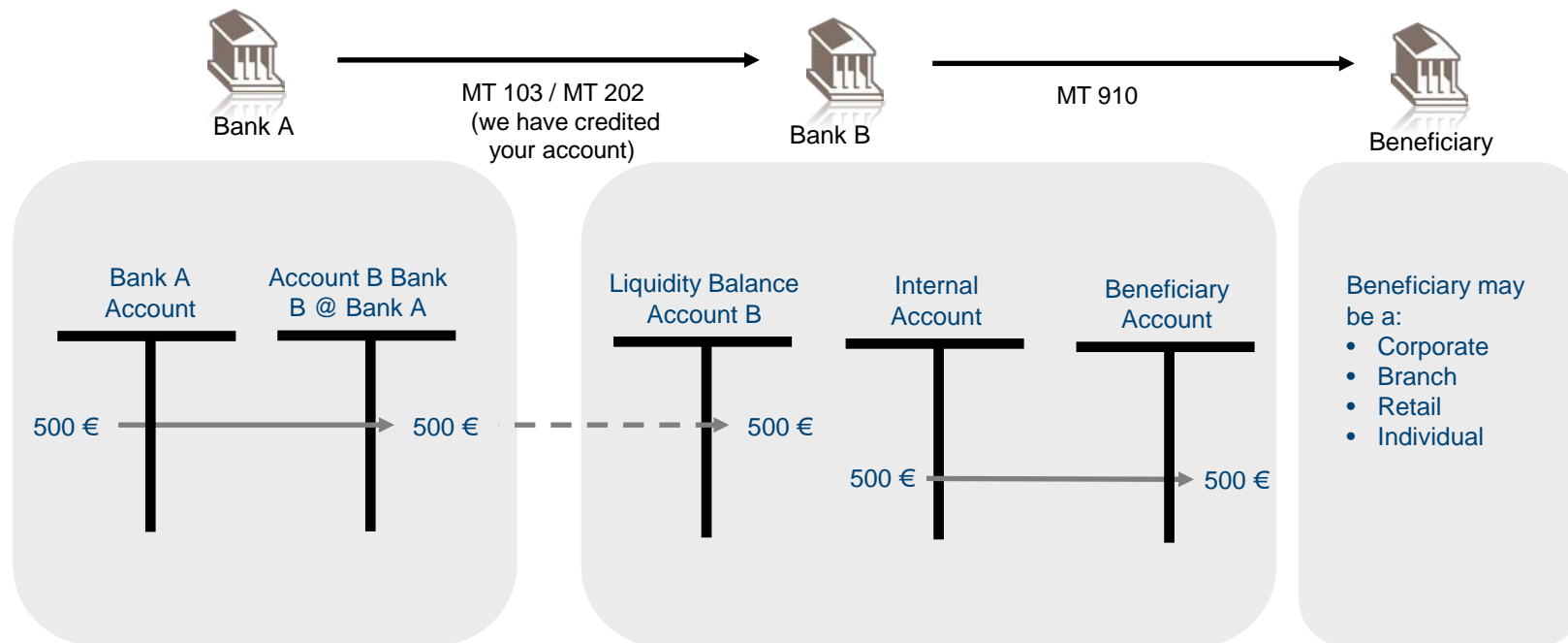
# Use case 4A: MT 103 to be used as confirmation of the liquidity movement, no credit confirmation to be sent out
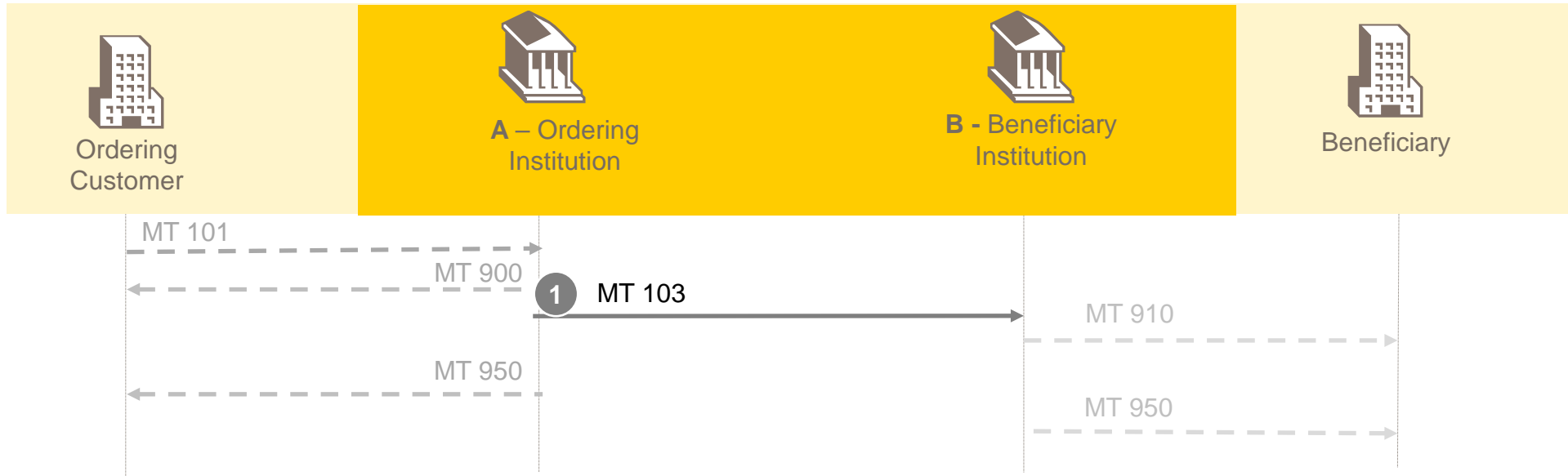


In a serial payment scenario when the sender of the payment (the Ordering Institution A in the above scenario) is the account servicing institution for the receiving institution of the MT 103 (the Beneficiary Institution B in the above scenario) and this account owner (Beneficiary Institution B) is not the end beneficiary of the payment, the payment instruction will be used by the receiving institution (Beneficiary Institution B in the above scenario) as a confirmation of the liquidity movement.
The Ordering Institution, servicing the account for the Beneficiary Institution B will not send any credit confirmation (MT 910).

# Use case 4A: MT 103 to be used as confirmation of the liquidity movement



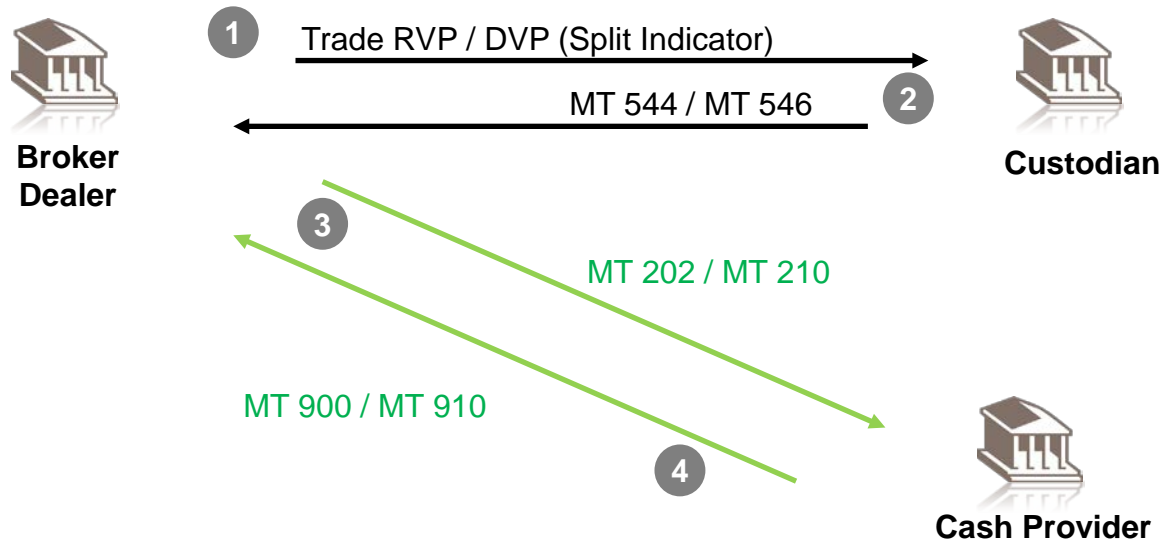**Ordering Customer**

**Payment initiation** ①
:30:160112
:32B:USD1000,

**MT 900\*** ①
:32A:160112USD1020,

**Bank A Ordering Institution (services the nostro account of Bank B)**

**MT 103** ②
Sender: BICBANKA
Receiver: BICBANKB
:20:*<PmtReference1>*
:13C:/TSOTIME/1600+0200
:26T:*<TTC>*
:32A:160112USD1010,
:50a:*<OrderingCustomer>*
:59a:*<Beneficiary>*

**Bank B Beneficiary Institution**

No MT 910 sent

**MT 950\*** ④

**Beneficiary**

**Confirmation of credit\*\*** ③
:32A:160112USD1000,

# Use case 4B: MT 202 to be used as confirmation of the liquidity movement



**A - Ordering Institution**  
**B- Account Servicing Institution for Bank C**  
**C - Account With Institution**  
**D – Beneficiary Institution**

1. MT 202
2. MT 900
3. MT 202
4. MT 910
5. MT 950
5. MT 950
5. MT 950

In a serial payment scenario when the sender of the payment (Bank B) is the account servicing institution for the receiver (Bank C) and this account owner is not the end beneficiary of the payment, the payment instruction must be used by Bank C as a confirmation of the liquidity movement, since the Account Servicing Institution B will not send an MT 910 credit confirmation to the Bank C.

# Use case 4B: MT 202 to be used as confirmation of the liquidity movement



**MT 202** ②

Sender: BICBANKA
Receiver: BICBANKB
:20:*<PmtReference1>*
:13C:/TSOTIME/1600+0200
:32A:160112USD1000,
:57A:BICBANKC
:59a:*<BeneficiaryInstitution>*
:72:/TTC/*<TTC>*

**MT 202** ③

Sender: BICBANKB
Receiver: BICBANKC
20:*<PmtReference2>*
:13C:/TSOTIME/1600+0200
:26T:*<TTC>*
:32A:160112USD1000,
:50a:*<OrderingCustomer>*
:59a:*<BeneficiaryInstitution>*
:72:/TTC/*<TTC>*

**MT 900** ③

Sender: BICBANKB
Receiver: BICBANKA
:20:*<ConfReference1>*
:21:*<PmtReference1>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

No MT 910 sent

**MT 910** ④

Sender: BICBANKC
Receiver: BICBANKD
:20:*<ConfReference2>*
:21:*<PmtReference2>*
:13D:1601121515+0200
:32A:160112USD1000,
:72:/TTC/*<TTC>*

Bank A
Ordering
Institution

Bank B
(Servicing
the nostro
account of
Bank C)

Bank C
Account
With
Institution

Bank D
Beneficiary
Institution

⑤ MT 950*

⑤ MT 950*

⑤ MT 950*

# Use Cases for Custodian Cash Accounts

# Securities and Cash split settlement
## Maybe just as an introduction for clarity purpose



Broker Dealer

1. Trade RVP / DVP (Split Indicator)
2. MT 544 / MT 546

Custodian

3. MT 202 / MT 210

MT 900 / MT 910

4.

Cash Provider

**No cash account held by Custodian**

**Settlement of cash performed by cash provider without relationship with the Custodian**

# Use case 1A for Securities: Securities and cash settlement by the custodian
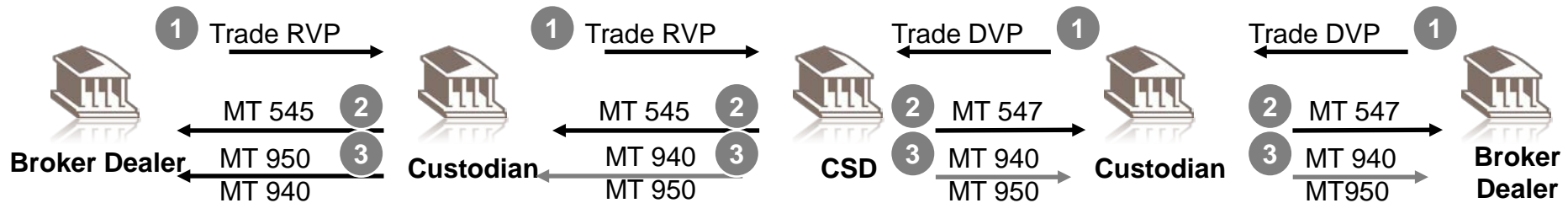


In case the custodian is the cash and securities agent for the settlement, which is the most common
case with broker dealers and investment banks and no FX is required, following flows are applicable.
1) Custodian bank will send a deliver (MT547) or receive versus payment (MT545) confirmation message to the broker
   dealer/investment bank.
   No MT900/ MT 910 will be sent in addition to these messages.
2) At the end of the day the Custodian bank will send an end of day statement message (MT 950 or MT940) to
   the broker dealer/ investment bank.

**Remarks:**
**Payment is internal within custodian infrastructure. Therefore no UETR would be needed in MT545/ MT 547**

# Use case 1B for Securities Account: RvP with different cash correspondent from the custodian



**①** Trade RVP MT

**⑤** Confirmation RVP MT 545

**Broker Dealer**

**②** MT 202

**③** MT 900 (a/c cash cor.)

**⑥** MT 940/ MT950

**④** 

**Account Servicer Cash Correspondent**

MT 910 (a/c cash cor.)
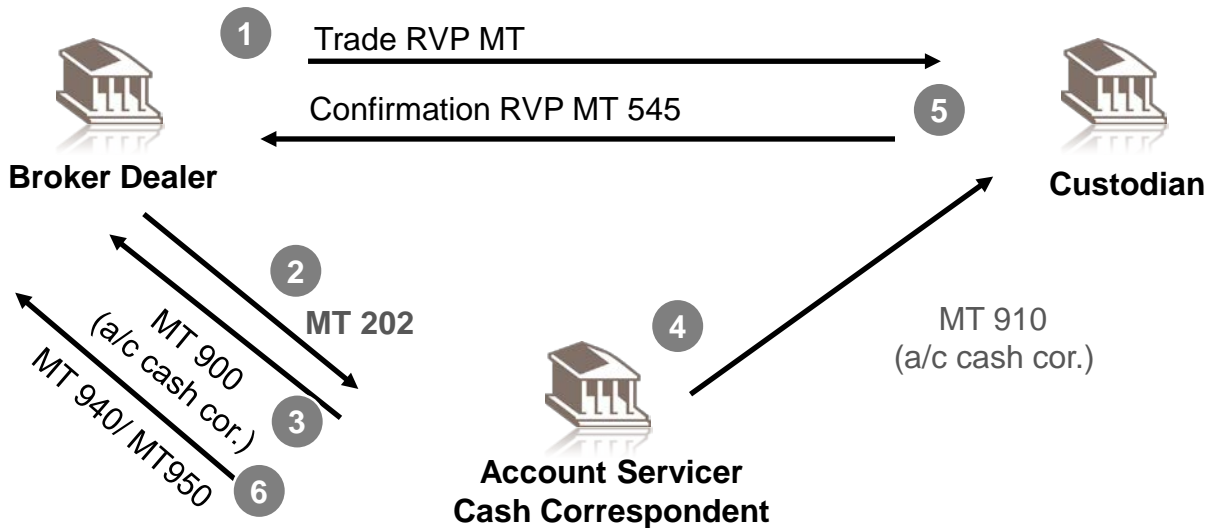
**Custodian**

Business rules for use case 1B for Securities Account: RvP Different cash correspondent from the custodian.
Cash Account held at custodian but FX deal is required through separate cash account held at another Account Servicing Bank.

The cash correspondent of the broker dealer and/or the investment bank informs the custodian that a cash transfer has been issued (4) for the settlement of the cash leg of the transaction.

MT 545 confirms effective RVP .

UETR to be provided in payment and cash reporting messages

# Securities and cash settlement by Custodian
## Use case 1C for Securities Account: DvP with different cash correspondent from the custodian

**1** Trade DVP

**2** MT 547

**3** MT 950

**4** MT 900 and MT 950

**Broker Dealer**

**Custodian**

**4** MT 202

**5** MT 910 (a/c cash cor.)

**Account Servicer Cash Correspondent**
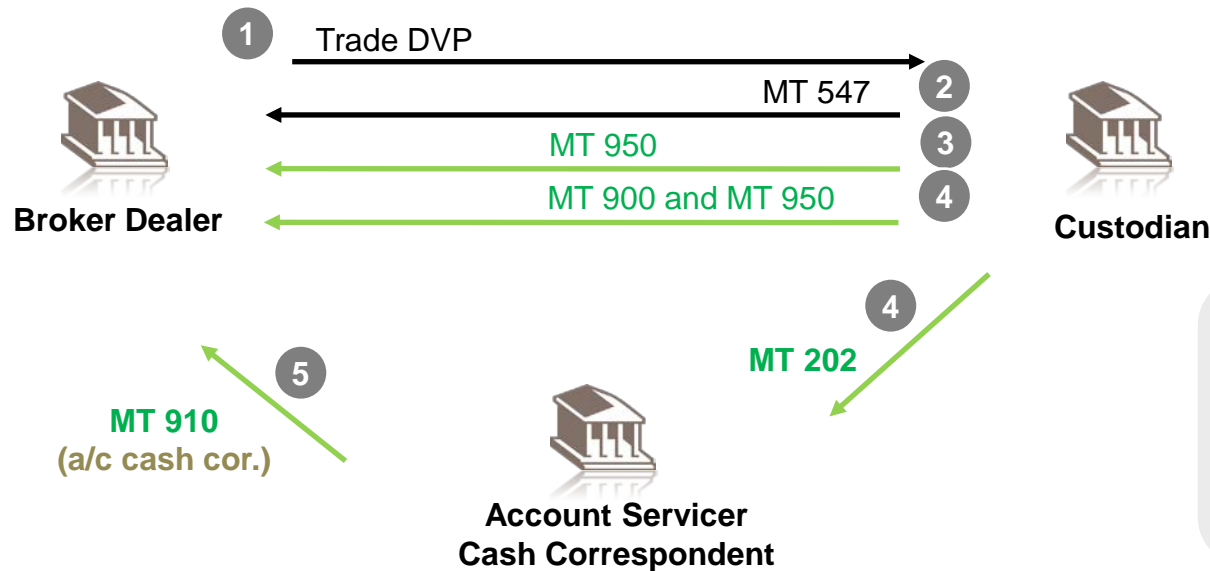
**Remarks:**
- **Step 3 no always provided today.**
- **Steps 4 and 5 are optional based on bilateral agreement (see use case 2)**

**Cash account held by Custodian with foreign exchange required**

**No cash leg present in the MT 547, when securities and cash accounts are linked**

# Securities and cash settlement by Custodian
# Use case 1D for Securities Account: Custodian authorised to debit the account of the broker dealer at the cash correspondent.

**1** Trade RVP

**Broker Dealer**

MT 545 **4**

**Custodian**

**2**

**MT 204**

**3**

**MT 900**
**(a/c cash cor.)**

**Account Servicer**
**Cash Correspondent**
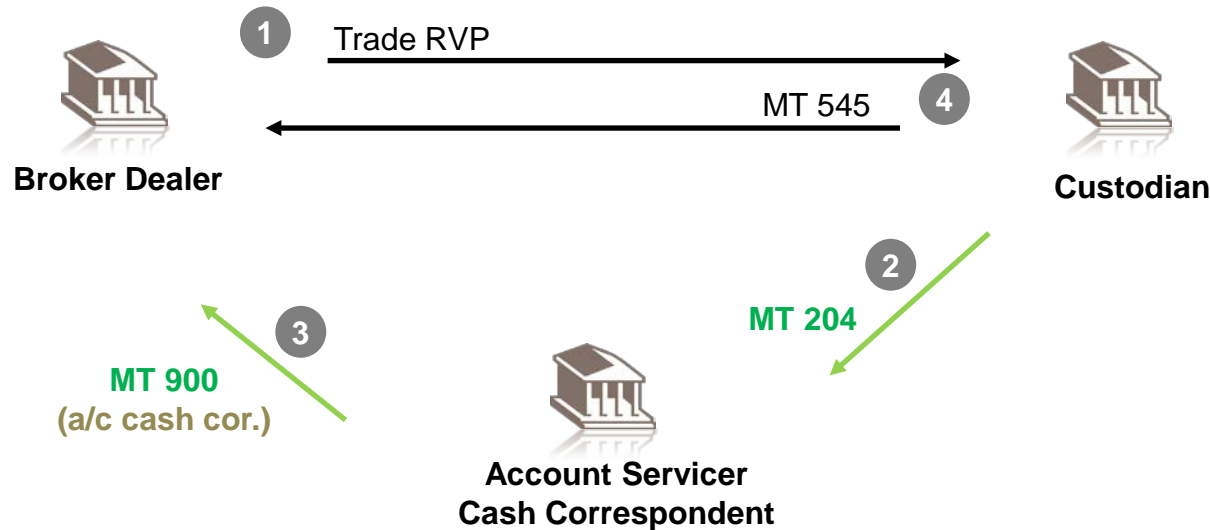
Practice also exists according to which the broker dealer/investment bank and the custodian setup a bilateral agreement to allow the custodian to debit their cash account at their cash correspondent.

In this case the cash confirmation will be sent by the cash correspondent to the broker dealer/investment bank. Custodian send a receive versus payment's confirmation but will not send any additional cash confirmation.

MT 545 is for this use case note part of the cash related information flow.

# Securities and cash settlement by Custodian
# Use case 2 for Securities Account: All settlements are netted by the custodian



The custodian provides both settlement of the securities and the cash, but the actual cash is only transferred through the cash correspondent account of the broker dealer/investment bank as a netted amount at the close of the business day.
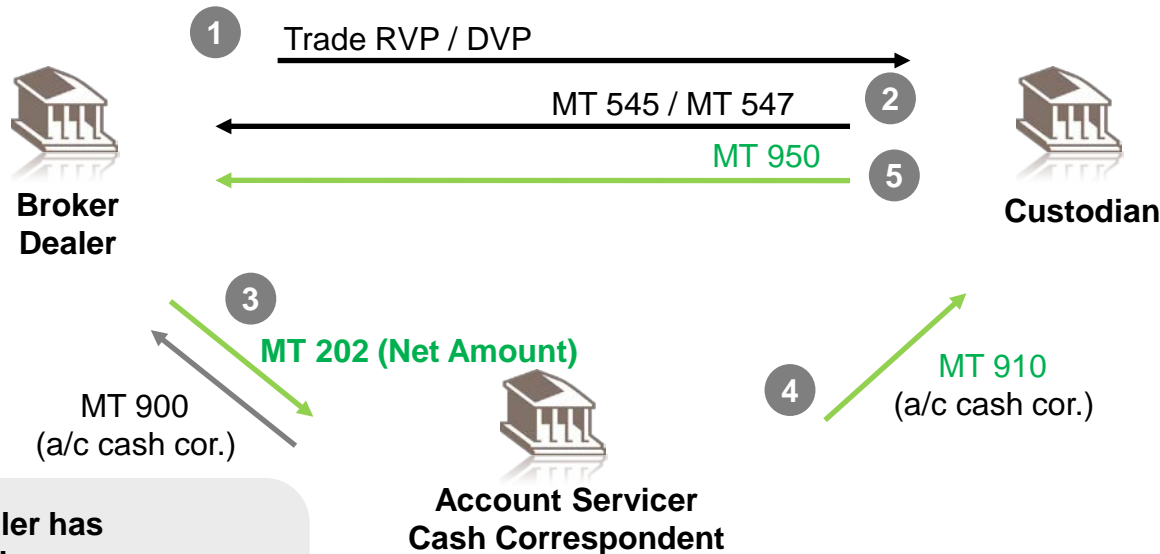
In order to support this scenario, the broker dealer/investment bank has set up a credit line or collateral at the custodian for the maximum possible debit of the cash account serviced by the custodian.

The cash correspondent sends the cash confirmation to the broker dealer/investment bank and to the custodian.
The Custodian will send a "receive versus payment" confirmation.

The cash correspondent also sends the end-of-day statement to the broker dealer or the investment bank

# Drivers for Real-Time Liquidity Management

# Drivers for real-time liquidity management

| **Regulatory compliance** | ▪ **Compliance with** liquidity regulation in specific countries and **BCBS principles**<br>▪ **ECB's liquidity reviews** (SREP) included a review of intraday liquidity buffer calibration at a global level starting with key currencies as a direct participant;<br>▪ **Securities regulation ESMA CSDR**<br>Improve settlement efficiency: reporting on failed transactions and objective to reduce failure rate<br>CSDR impact on the liquidity management: settlement failure due to lack of liquidity, need to monitor Securities positions. |
|---|---|
| **Financial savings** | ▪ **Avoid trade settlement issues** (support of PvP, DvP/ RvP)<br>▪ **Help reduce counterparty risk** through a higher transparency of liquidity risk transfer<br>▪ **Securities account segregation** to improve transparency on portfolio's position<br>▪ **Early detection and resolution of exceptions** reducing related costs (charges, interests, reputational)<br>▪ **Lower funding costs** and reduction of related risks especially during times of higher market volatility<br>▪ **Reduction of credit lines usage** and of the impact on the liquidity buffer<br>▪ **Support liquidity forecasting** and liquidity optimisation to reduce trapped liquidity |
| **Improve customer experience** | ▪ **Improve competitive position:** reduce payments processing costs related to Nostro-Vostro liquidity and to Claims and Treasury operations<br>▪ **Provide cash visibility and predictability**<br>▪ **Support STP** for customer's treasury process<br>▪ **Support of customer's specific payment's SLA** (same day value or timed payments) |

# Thank you