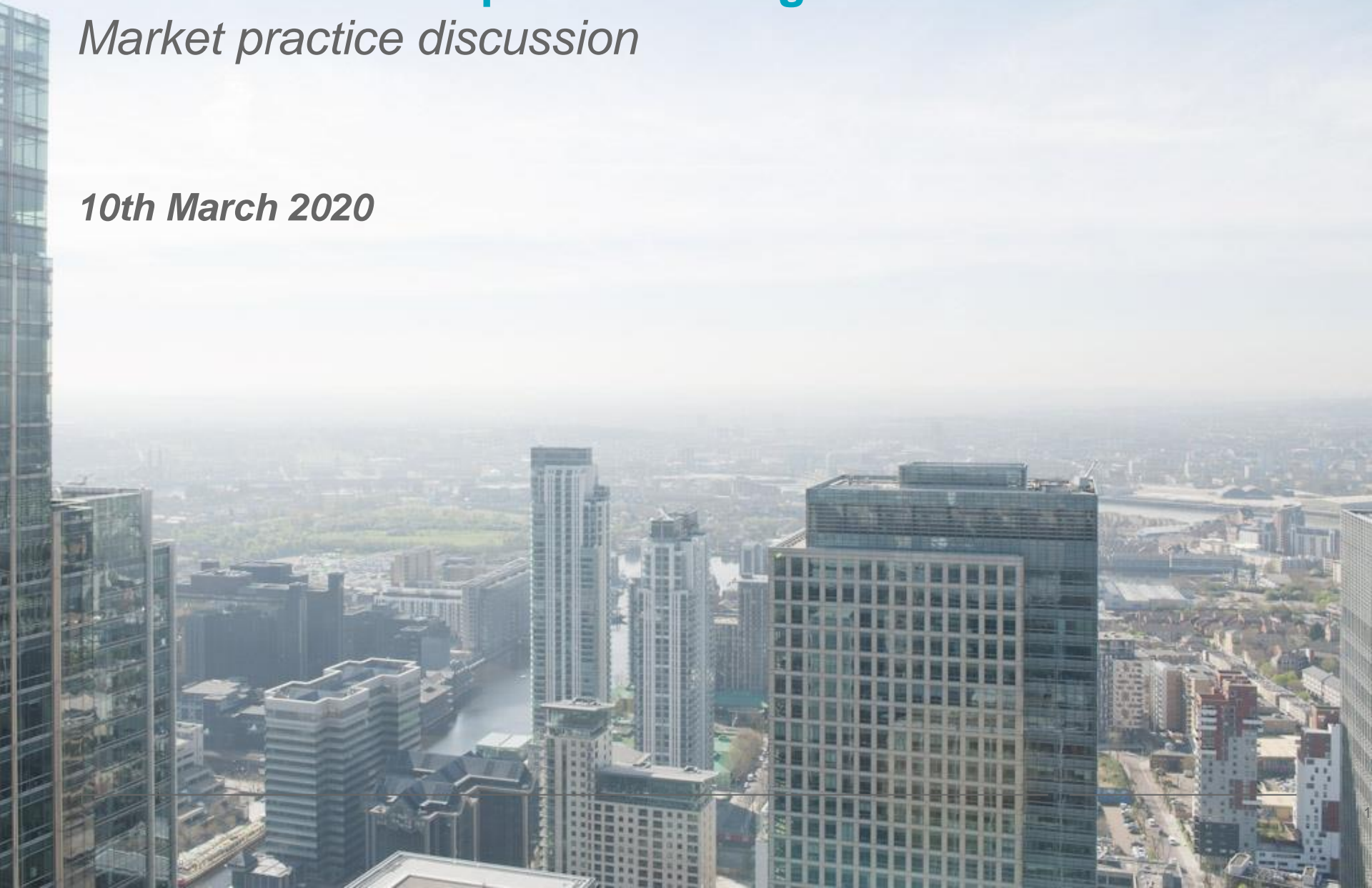


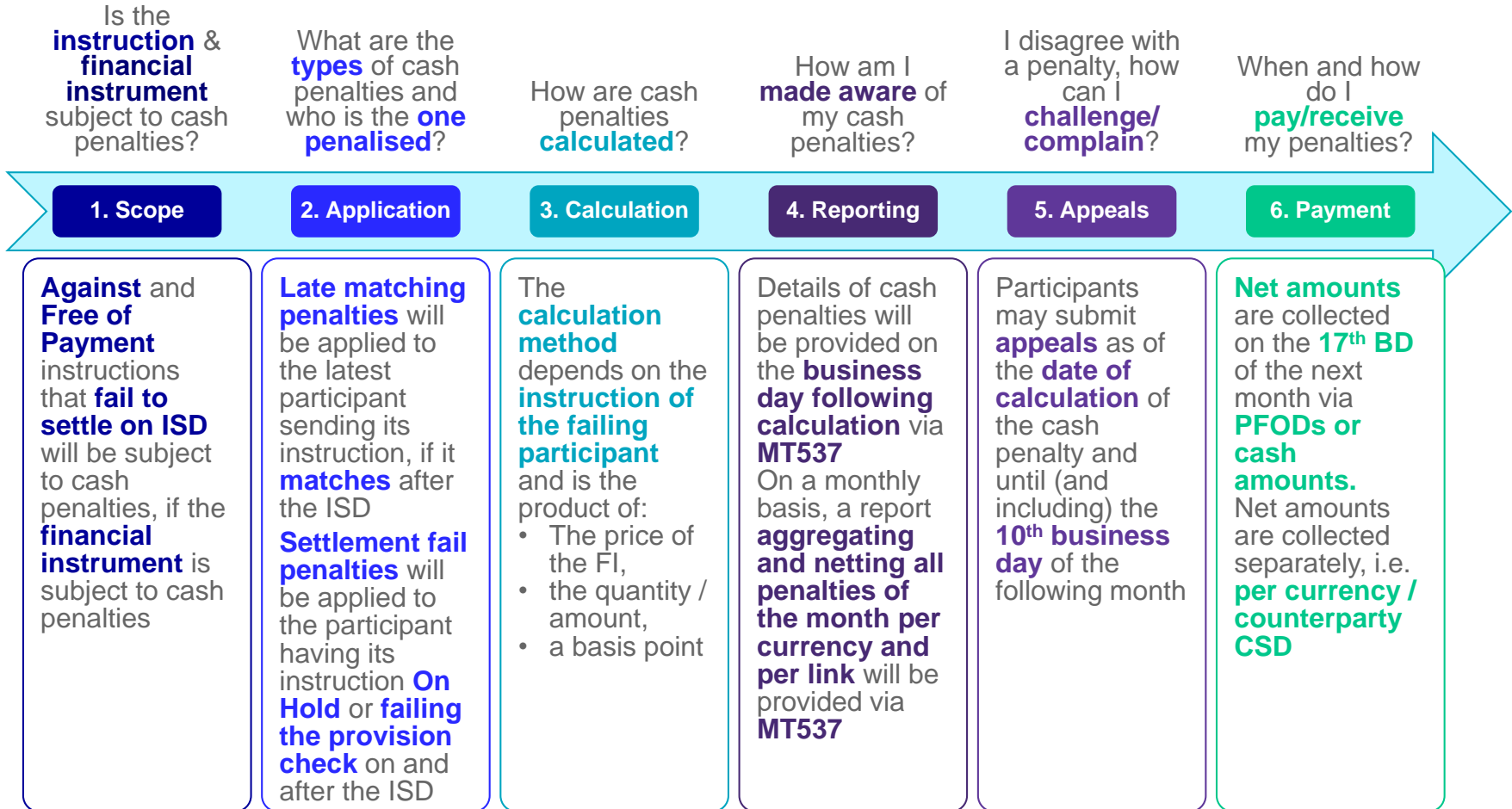
CSDR Settlement penalties : High level overview

Market practice discussion

10th March 2020



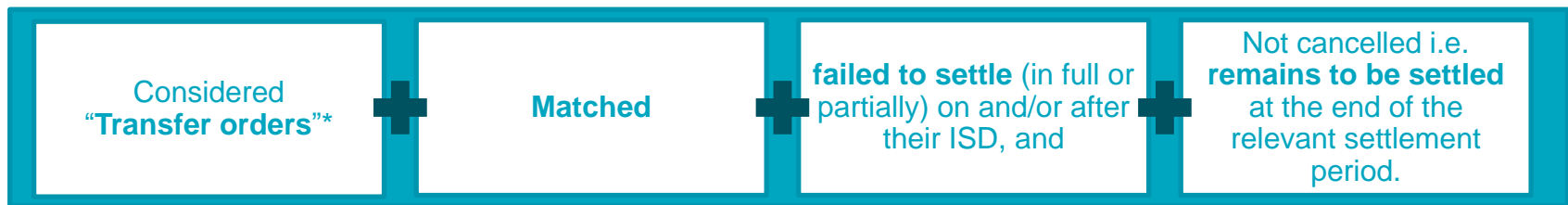
1. Overview of cash penalties



1.1 Scope

Overview of cash penalties – 1. Scope

The Penalties Engines shall calculate cash penalties on **instructions (Against and/or Free of Payment)** that are:



The Penalties Engine shall calculate cash penalties for settlement fails, if the **financial instrument** matches the following criteria:



- ✓ It is listed in the ESMA FIRDS Database
- ✗ It is not listed in the SSR

1.2 Application

Settlement Fail Penalties (SEFP)

An instruction is subject to **SEFP** if:

- It is **matched** before the end of the relevant settlement period;
- It has **reached its intended settlement date**; and
- It **fails** to settle (in full or partially); and
- It **remains to be settled** (i.e. is not cancelled)

SEFP will be charged to the participant that has its instruction **on hold** or **fails the provision check** (i.e. is «lack of securities» or «lack of cash»)

SEFP are **calculated** on each business day where the instruction **fails to settle**

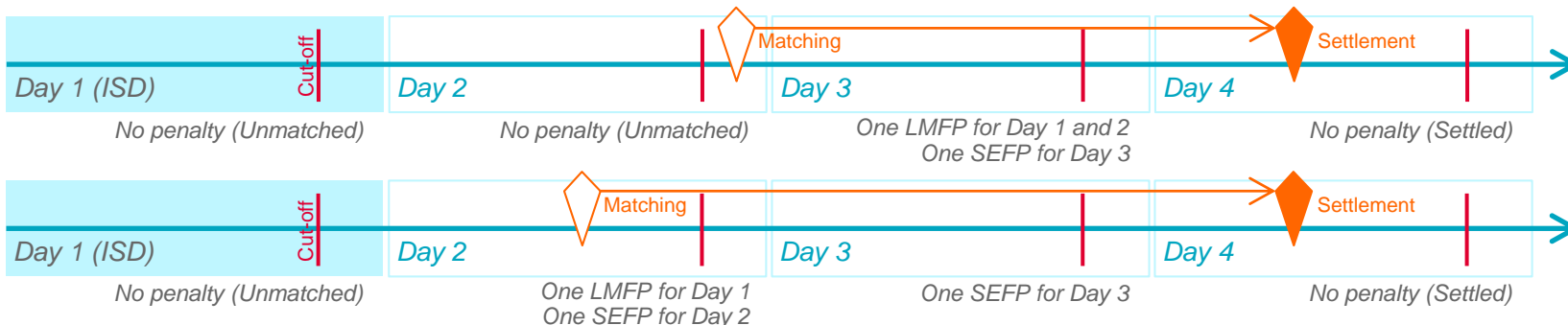
Late Matching Fail Penalties (LMFP)

An instruction is subject to **LMFP** if the settlement instruction is **matched after the ISD**

Where settlement instructions match **before (after) the end of the relevant settlement period***, then we shall consider all business days as from the ISD until, and **excluding (including)**, the business day where the instruction is matched.

LMFP are **calculated only once** on the business day when the instructions are **matched**, but **considering all previous business days** where it failed to settle due to late matching

Examples



DRAFT

1.3 Calculation

Settlement Instruction Type*	Calculation Formula
Delivery versus Payment (DvP) Delivery Free of Payment (DFP) Receipt Free of Payment (RFP)	Security Penalty Rate x Reference Price x Quantity
Receipt versus Payment (RvP)	Cash Discount Penalty Rate x Reference Price x Quantity
Payment Free of Delivery (PFOD)	Cash Discount Penalty Rate x Amount

Security Penalty Rate	Type of Financial Instrument	Liquidity Indicator	SME Growth Market	Security Penalty Rate
	SHRS		YES (Is liquid)	NO	1.00 bps
		NO (Is not liquid)	NO	0.50 bps
		<i>n.a.</i>	YES	0.25 bps
SOVR		<i>n.a.</i>	<i>n.a.</i>	0.10 bps
DEBT, MMKT		<i>n.a.</i>	NO	0.20 bps
		<i>n.a.</i>	YES	0.15 bps
SECU, ETFS, UCIT, EMAL, OTHR		<i>n.a.</i>	NO	0.50 bps
		<i>n.a.</i>	YES	0.25 bps

The **Cash Discount Penalty Rate** is the official interest rate (daily basis) for overnight credit charged by the central bank issuing the settlement currency with a floor of zero

Examples of calculation are available in annex

DRAFT

Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

1.4 Reporting

Daily (each business day)

- Statement of New Penalties (if any) includes new penalties and modified one. It can either be in one or two reports

13th BD of the next month

Last business day where Statement of Amended Penalties may include amendments to penalties calculated on the previous month

14th BD of the next month

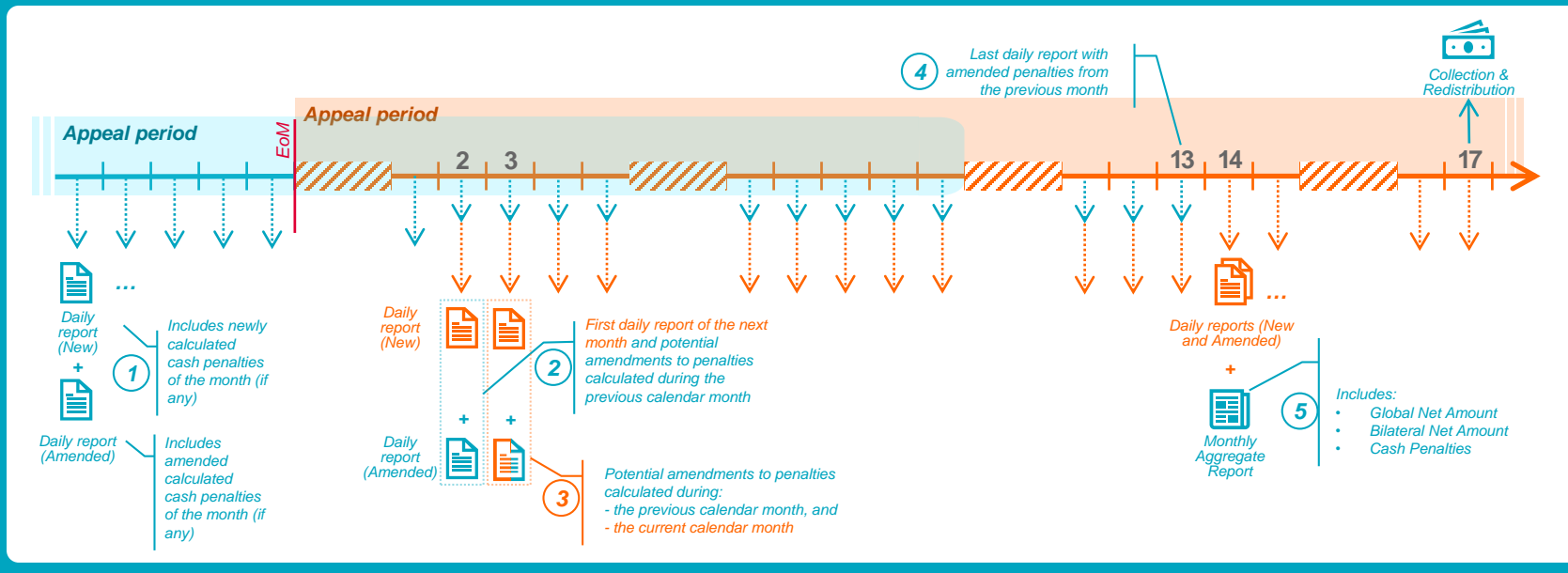
- Monthly Aggregated Report (including amounts to be paid/received)

MT537/MT548 or semt.044

MT537/MT548 or semt.044

MT537 or semt.044

High-level timeline for reporting



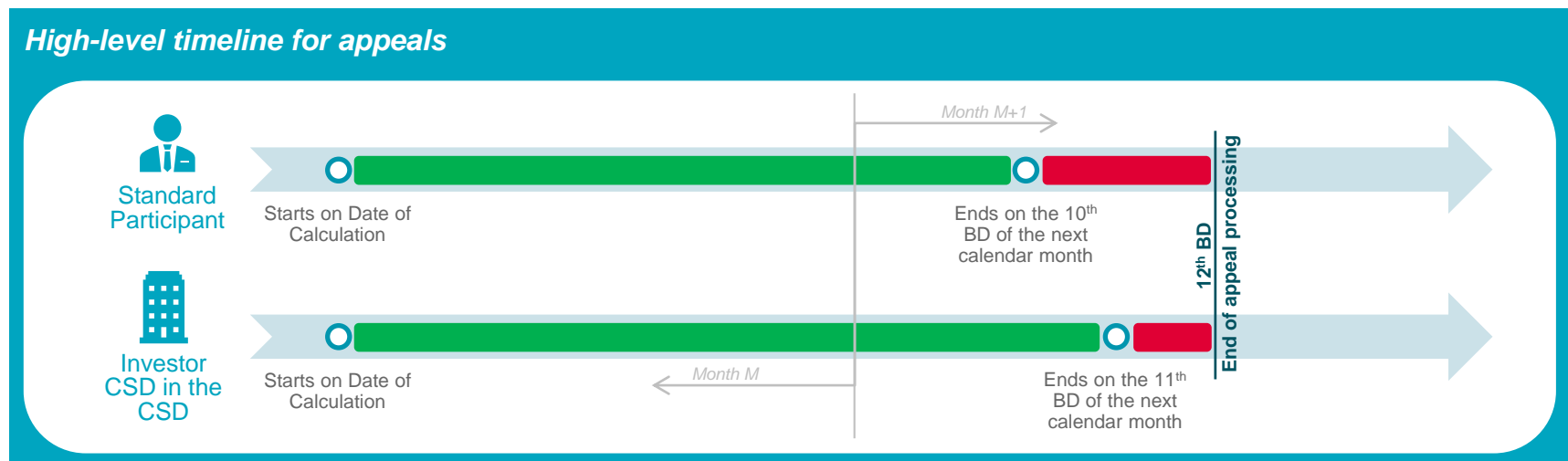
DRAFT

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1.5 Appeals

As per ECSDA framework, we should apply a **dedicated appeal period** for standard participants and Investor-CSD to challenge cash penalties.

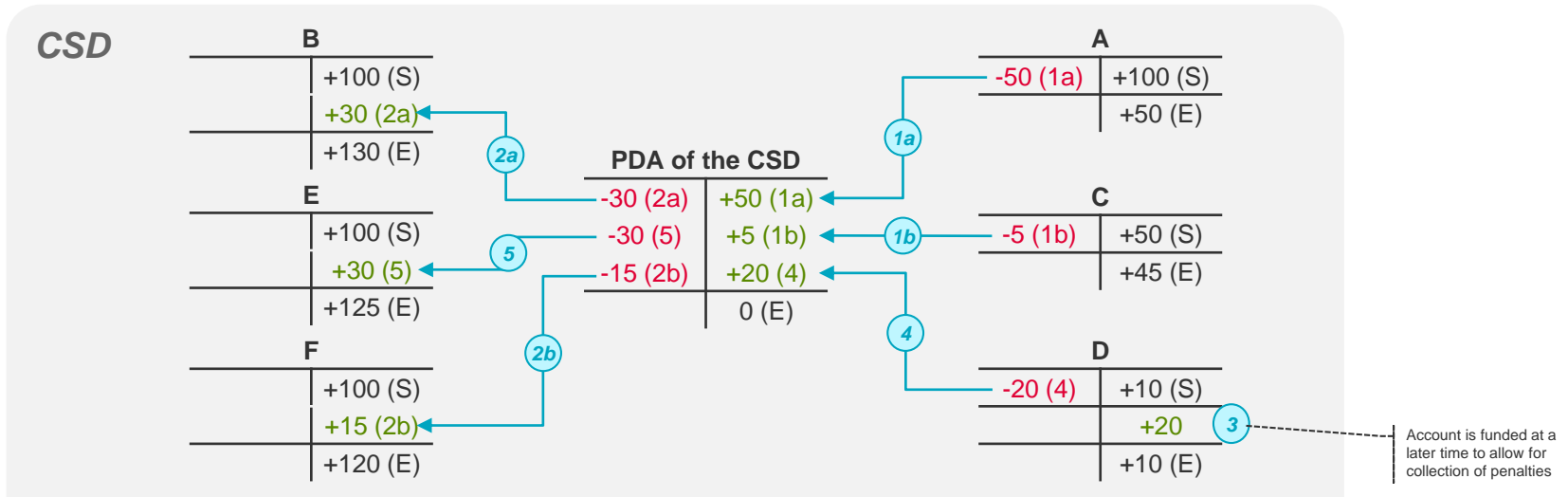
The appeal period shall start as of the **calculation of the relevant cash penalty*** and **ends on the 10th business day** of the following calendar month. **Investor-CSD** may forward appeals from their underlying participant to the calculating CSD **until the 11th business day** of the following month



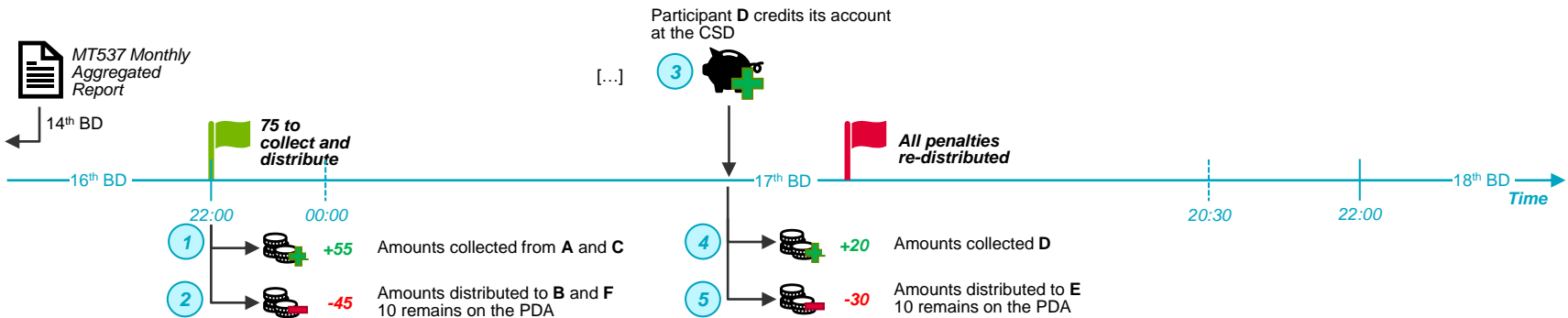
CSDs may **process appeals until the 12th business day of the following month**, i.e. the report received on the 13th business day of the next month is the last report that may include amendments to cash penalties initially calculated in the previous month

1.6 Payment

Key:
 (S) Balance @Start of period
 (E) Balance @End of period



High-level timeline



DRAFT

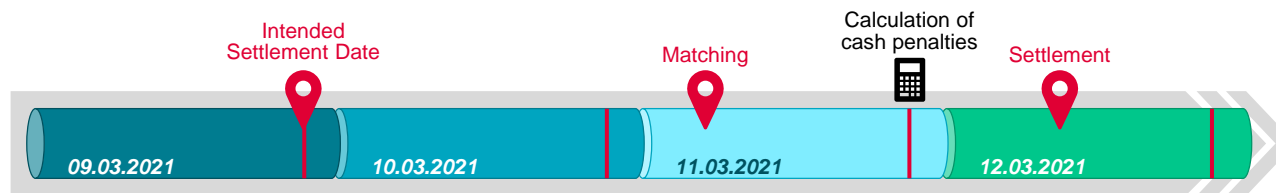
Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

Annex

Calculation of cash penalties

Description of the situation

- Instruction Type (of the Party)	Against Payment
- Intended Settlement Date (ISD)	09.03.2021
- Quantity	1.000 units
- Price (per unit)	900,00 EUR (09.03.2021) 910,00 EUR (10.03.2021) 920,00 EUR (11.03.2021)
- Amount	900.000,00 EUR
- CFI Code (of the security)	E*****
- Liquidity Indicator	FALSE
- Place of Trade	Not Provided
- Deliverer Timestamp	08.03.2021 14:04:48
- Receiver Timestamp	11.03.2021 09:47:22
- Matching Timestamp	11.03.2021 09:47:26
- ECB Marginal lending facility	0.25%



On 11.03.2021, at the end of the day, the instruction is **unsettled** because the Seller is **short of securities**. The instruction settles on 12.03.2021.

From those information, we can deduct that, on 11.03.2021, there are two cash penalties:

- One LMFP applying for 09 and 10.03.2021. The customer is entitled to receive the cash penalty (non-failing participant), because it is its **counterparty who sent its RvP late**
- One SEFP is due to **lack of securities from the customer**

Calculation of cash penalties

Case 1: LMFP

- Instruction Type is RvP
- Calculation method is:
Cash Discount Penalty Rate / 360
x Reference Price
x Quantity
Amount is
 $0.25\%/360 \times 1000 \times 900$
 $+ 0.25\%/360 \times 1000 \times 910$
= 12.57 EUR

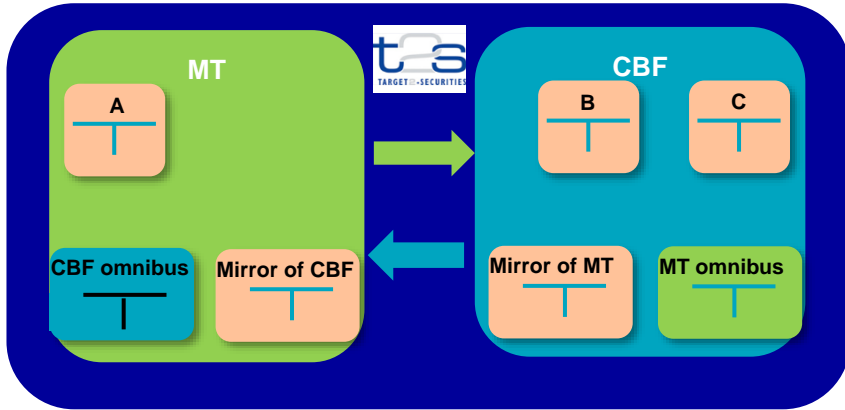
Case 2: SEFP

- Instruction Type is DvP
- Calculation method is:
Security Penalty Rate
x Reference Price
x Quantity
• Security Penalty Rate is 0.50 bps because the security is an illiquid SHRS, and Place of Trading is not provided
Amount is $0.005\% \times 1000 \times 920$
= 46.00 EUR

DRAFT

Annex

Global net : payment between CSD (1)



Client	Client	Type of sec	Penalty
A	B	DE	4
A	B	IT	5
A	C	DE	3
A	C	IT	2



B needs to pay to A 9
A needs to pay to C 5

 The failing participant paying the penalty

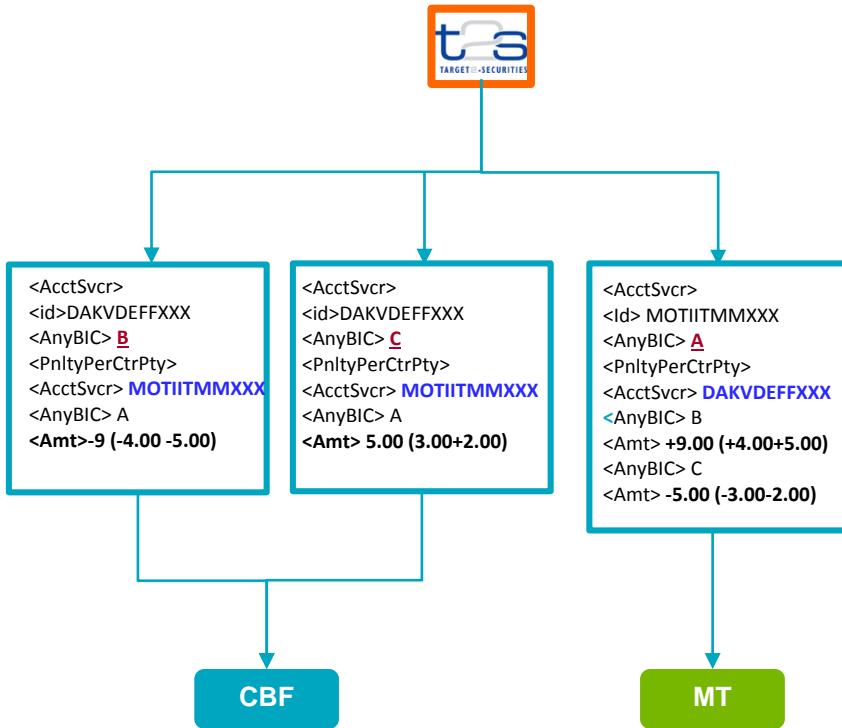
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Annex

Global net : payment between CSD (2)

STEP 1 : T2S calculation

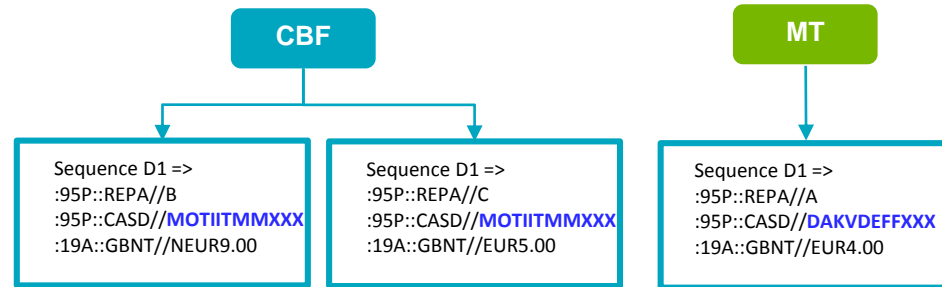


- T2S only reports the bilateral net (not the Global net)
 - T2S only reports an amount per counterparty CSD, irrespective of the underlying security

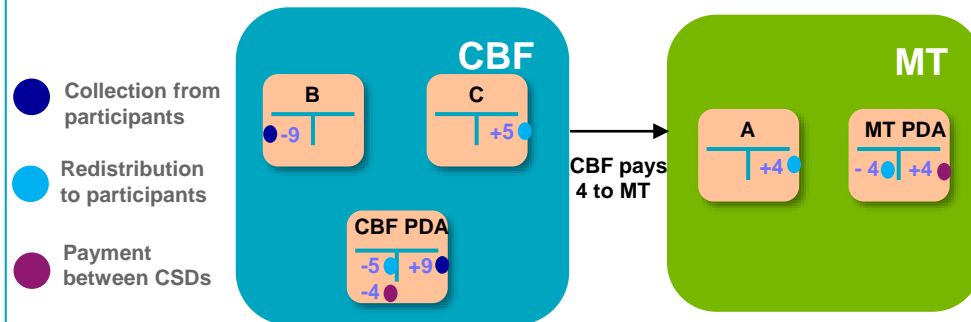
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STEP 2 : CSD reporting (MT537)



STEP 3 : Collection and distribution



Annex

Global net : payment between CSD (3)

What conclusions may be drawn ?

- 1) The Bilateral Net Amount that is calculated does not take into account the underlying security, this just the net amount between the participant and his counterparty for a given counterparty CSD (same as T2S)
- 2) The Global Net Amount is the sum of the Bilateral Net Amount for a given counterparty CSD.
- 3) Global Net Amount for different counterparty CSDs cannot be mixed together otherwise it would end up in deadlock scenario.
- 4) There is always one single payment to be calculated and to paid between two CSDs.

DRAFT

CSDR Settlement penalties : MT537

Market practice discussion

10th March 2020




Introduction

The following slides have been discussed during the SMPG of the 10-12th of March and updated with the comments from the different SMPG members. In order to reflect the comments and the minutes from the SMPG, a box in blue with the logo of the SMPG has been added to every slide where a discussion took place.

Please always refer to the box in blue to see if the members agreed or not with the proposal.



XXXXXXXXXXXX



This presentation is only meant to provide a basis for the draft of the market practice on Cash penalties and does not constitute a definitive market practice. The SMPG and Clearstream cannot be liable regarding any damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect. Any liability or claims will be rejected

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1. Sequence A (general information)

Sequences	Fields	M/O	Options	Daily	Monthly
General information Sequence A	:16R:GENL				
	:28E:00001/ONLY	M	E		
	:13A::STAT//001	M	A or J		
	:20C::SEME//862708583	M	C		
	:23G:PENA	M	G		
	:98A::STAT//20190314	M	A or C		
	:98C::PREP//20190315081510	O	A,C or E		
	:22F::CODE// DELT	O	F	Recommended	Recommended
	:22F::SFRE// DAIL	O	F	Recommended	Recommended
	:22F::STBA//SET	M	F		
	:22H::STST//PENA	M	H		
	:97A::SAFE//12345	M	A or B		
	:17B::ACTI//Y	M	B		
	:16S:GENL				

Proposals for discussion

	Daily	Monthly
22F::SFRE	DAIL	MNTH
:22F::CODE	DELT	DELT



For
discussion

**INDA vs DAILY/MONTHLY?
And COMP vs DELT**

Several CSDs or ICSDs will have to report activity on multiple markets and as a consequence will send several reports during the day. If we read the SWIFT definition, **DAIL** or **MNTH** should only be used if the report is only sent once per day/month which will not be the case.

However, sending **INDA** as an alternative, will create confusion and will not allow customers to easily spot the reports. Therefore out of the two below options, Option 2 seems to be the most accurate

Two options:

- 1) **INDA** with **DELT** for both daily and monthly
- 2) **DAIL/MNTH** with **DELT**

SMPG

Securities Market Practice Group



Minutes from SMPG:

- 1) The Network validation rule should be reminded in the future market practice on cash penalties. If the sequence A has field 22H::STST//PENA then the other sequence are not allowed (B and C). In other words, the MT537 PENA only contains information on penalties.
- 2) **22F::CODE** => The SMPG recommendation is that if one single MT537 report is sent per day the 22F:CODE can be filled with "COMP"(complete) but if multiple reports are sent per day "DELT"(delta) should be used.
- 3) **22F::SFRE** => The SMPG recommendation is to use either "DAIL" or MNTH" but not to use INDA.
- 4) SWIFT will check if the 22F:STBA that is mentioned in the MT537 guidelines is not a mistake. The field was not included in the previous version

DRAFT

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2. Sequence D PENA

Sequences	Fields	M/O	Options	Daily	Monthly
Sequence D PENA	:16R:PENA				
	:69A::STAT//20190301/20190331	O	A or B	Not recommended	Recommended
	:22F::CODE//FWIS	M	F		
	:95P::ASDP//CEDELULLXXX	O	A	Recommended	Recommended

Fields that are not recommended for both daily and monthly

95L::ALTE

Not needed as ASDP is present (if LEI is imposed we will need to use it)

Proposals for discussion

	Daily	Monthly
69A::STAT	Not recommended. There is no period for a daily and therefore it should not be mentioned	To be populated with "first day of the month/last day of the month"
22F::CODE	CURR/FWAM/FWIS can be used	Only CURR should be used for the monthly



SMPG
discussion

STAT for the daily reporting

69A::STAT only allows a period to be mentioned when in the T2S the usage is the below:

- Date is informed for the Daily Penalty List.
- DateMonth is informed for the Monthly reporting of aggregated amounts.
- FromDateToDate is informed for the List of Modified Penalties.

We suggest to only report a period for the monthly reporting

SMPG
Securities Market Practice Group

Minutes from SMPG:

- 1) No agreement has been found regarding 69A:STAT for the daily reporting. Further work is required. Two options have been discussed.
Option 1: We do not use the 69A::STAT for the daily. However, in case of modified penalties that are reported the same day but for different months, this could be challenging as the sequence D PENA should be repeated for the different months
Option 2: We use the 69A::STAT for the daily and we use the same logic as for the monthly (first day of the month/last day of the month).
- 2) The recommendation to always use CURR in 22F::CODE for the monthly has been accepted
- 3) The 95L::ALTE may not be used for the moment but may become mandatory if the LEI is imposed in the future
- 4) Clarification on the 95P:ASDP was provided, it was agreed that each intermediary can use their BIC11 when sending the report to their customers. In other words, the BIC11 of the initial CSD/ICSD sending the report does not need to be kept throughout the chain.
- 5) In case of a penalty update, it was asked that we clarify in the market practice that all fields of the penalty are sent again and not only the information that are updated.

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Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

3. Sequence D1 PENACUR

Sequences	Fields	M/O	Options	Daily	Monthly
Subsequence D1 (per currency for a party)	:16R::PENACUR				
	:11A::PECU//EUR	O	A	Recommended	Recommended
	:98A::DACO//20190314	O	A or C	Recommended	Not Recommended
	:98A::PAYD//20210525	O	A	Not recommended	Recommended
	:97A::CASH//12345	O	A or E	Not recommended	Recommended
	:95R::REPA/CEDE/12345	M	P,Q,R		
	:95P::CASD//DAVDEFFXXX	O	P or Q	Recommended	Recommended
	:95P::DCSD//SICVFRPPXXX	O	P or Q	Situational	Situational
	:22F::TRCA//CSDP	M	F		
	:19A::GBNT//EUR6,16	O	A	Recommended	Recommended

Fields that are not recommended for both <u>daily</u> and <u>monthly</u>	
19A::AGDE	No need to report the information as the Global Net is mentioned
19A::AGCR	No need to report the information as the Global Net is mentioned



Minutes from SMPG:

- 1) All proposals were accepted except for the Global Net in the daily which remains at the discretion of each institution. The Global Net in the monthly is a must as it provides the amount that will be used for the collection and distribution.
- 2) The proposal not to use the AGDE and AGCR was accepted as well as we could not identify any scenario where it would be useful now that the Global Net can be used.
- 3) It was mentioned as well that we should recommend not to use, if possible, any Q format (narrative) to avoid any STP issues.
- 4) The usage of the sign in all the amount fields should be clarified in the market practice document as it seems sometimes confusing. A positive amount always means that the participant to which the report is sent will receive the penalty and a negative amount means that the participant will have to pay the penalty

Proposals for discussion

	Daily	Monthly
11A::PECU	The currency should always be mentioned	The currency should always be mentioned
98A::PAYD	Not recommended in the daily	Should be mentioned as the monthly report is used as a payment preadvise
97A::CASH	Not recommended in the daily	Should be mentioned as the monthly report is used as a payment preadvise
95P::CASD	Recommended to be populated with the BIC 11 of the counterparty CSD	Recommended to be populated with the BIC 11 of the counterparty CSD
95P::DCSD	Only recommended for ICSDs (or CSDs) that can access counterparty CSD through different links	Only recommended for ICSDs (or CSDs) that can access counterparty CSD through different links
19A::GBNT	The Global Net can be used in the daily reporting to provide an estimation of the amount to be paid for a given counterparty CSD	The Global Net is a must in the monthly report to provide the amount that needs to be paid or received for a given counterparty CSD

DRAFT

Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

4. Sequence D1a PENACOUNT

Sequences	Fields	M/O	Options	Daily	Monthly
Subsequence D1a (per counterparty)	:16R::PENACOUNT				
	:95R::REPA/CEDE/67890	M	P,Q,R		
	:22F::TRCA//CSDP	M	F		
	:19A::AGNT//EUR6,16	M	A		

Fields that are not recommended for both daily and monthly

95 ASDP

The preference is always to use REPA



Minutes from SMPG:

- 1) Participants agreed with the proposal regarding the bilateral net
- 2) It was mentioned by different SMPG members that the lack of harmonization in terms of «party» (field 95R::REPA) is problematic as CSDs and ICSDs will use different party concept (BIC,5 digits account, legal entity concept). An harmonization at industry level would benefit to everyone.

Proposal for discussion

Daily and Monthly

19A::AGNT

The amount mentioned in the Bilateral Net Amount should as well include penalties that are flagged with 17B::CMPU = NO.
It's only in the Global Net amount (19A::GBNT) that these amounts should be excluded.

For example, a penalty that is flagged with 17B::CMPU = NO because it's a penalty linked to a CCP movement or this is a penalty linked to an insolvency situation should be excluded from the Global Net Amount (19A::GBNT) but included in the Bilateral Net Amount(19A::AGNT)

DRAFT

5. Sequence D1a1 PENDET

Sequences	Fields	M/O	Options	Daily	Monthly
Subsequence D1a1 (per counterparty)	:16R::PENDET				
	:20C::PREF//NC20210311000001	O	C	Situational	Situational
	:20C::PCOM//C20210311000001	M	C		
	:20C::PPCM//C20210311000000	O	C	Situational	Situational
	:20C::PPRF//NC20210311000000	O	C	Situational	Situational
	:22H::PNTF//LMFP	M	F		
	:22F::CALM//MIXE	M	F		
	:17B::CMPU//Y	O	B	Recommended	Recommended
	:25D::PNST//ACTV	O	D	Recommended	Should not be included in the monthly reporting
	:24B::ACTV//NEWP	O	B	Recommended	
	:19A::AMCO//EUR6,16	M	A		
:99A::DAAC//1	M	A			



DAAC for more than one day

Only for LMFP, we can have a DAAC that is higher than 1.

In this case, for LMFP that goes over several days, a CALDET sequence is required per day of penalty with a different PEDA (see illustration in annex)

Proposals for discussion

Daily and Monthly

17B::CMPU

It should always be used to differentiate the amount that are included in the collection and distribution and the amount that are excluded. Even if industry discussions are still taking place, especially regarding CCP flows, this flag could be used in the context of CCP penalties or insolvency

25D::PNST

In the status, we suggest to only use ACTV or REMO and no other codes (e.g.RLOC,SWIC,...). The additional information will be provided in the reason code.

Example for a "switch of penalty":

:25D::PNST//ACTV
:24B::ACTV//SWIC

Instead of **25D::PNST//SWIC**

Example for an update of penalty due to a change in reference data or reinclusion

:25D::PNST//ACTV
:24B::ACTV//UPDT

Instead of **25D::PNST//REIC**



Minutes from SMPG:

No specific comments from the SMPG members.

The proposals regarding the CMPU and PNST flag were accepted

DRAFT

6. Sequence D1a1A CALDET and D1a1A1 FIA

Sequences	Fields	M/O	Options	Daily	Monthly
Subsequence D1a1A (calculation details)	:16R:CALDET				
	:98A::PEDA//20190313	M	A,C or E		
	:17B::MRED//N	O	B	Recommended	
Subsequence D1a1A1 (financial instrument attributes)	:16R:FIA				The Subsequence D1a1A and D1a1A1 should not be included in the monthly reporting
	:35B::ISIN XX0247770224	M			
	:12A::CLAS/REGL/SHRS	O	A or C	Situational	
	:17B::LIQU//N	O	B	Situational	
	:17B::SMEM//Y	O	B	Situational	
	:94B::TRAD//EXCH/XNYS	O	B	Situational	
	:92A::ILSH//0,005	O	A	Situational	
	:92B::EXCH//USD/EUR/0,899	O	B	Situational	
:16S:FIA					
	:92A::PDRA//0,0007	O	A or B	Situational	
	:92B::EXCH//USD/EUR/0,850	O	B	Situational	
	:19A::SECU//EUR6,16 or CASH//EUR6,16	O	A	Recommended	
	:16S:CALDET				

Fields that are not recommended for both daily and monthly

:17B::OKPE	No need to report a penalty if the security is not subject to penalty
90A/B::AMNT	No information on the price should be mentioned (data vendor legal issue)
94B::PRIC	
98A/C::PRIC	Not needed. Quotation date has been removed by T2S as well.
98A::EXCH	

Proposals for discussion

	Daily and Monthly
12A:CLAS	The CSDR classification should be used rather than the CFI code itself. Therefore, we recommend to use option A than option C
92A::PDRA	Should only be used if the calculation method is MIXE or CASH
17B::ILSH	Should only be used if the calculation method is SECU or BOTH
LIQU	Only for shares (CSDR classification "SHRS") with SECU or BOTH and CSDR classification is "SHRS"
17B::SMEM and 94B::TRAD	Should only be used if calculation method is SECU or BOTH and CSDR classification is not "SOVR"
92:B:EXCH in D1a1A and D1a1A1	See Annex 2



Minutes from SMPG:

- The exchange rates were discussed and some members highlighted that, similar to the price, their institutions will not be able to provide the exchange rate from data vendor for legal reason. As a consequence all members agree that we do not recommend to use the exchange rate anywhere in the MT537 PENA message.

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Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

7. Sequence D1a1B RELTRAN

Sequences	Fields	M/O	Options	Daily	Monthly
Subsequence D1a1B (related transaction)	:16R:RELTRAN				The Subsequence D1a1A and D1a1A1 should not be included in the monthly reporting
	:20C::ACOW//0000000000123456	M	C		
	:20C::ASRF//0000000000111111	O	C	Recommended	
	:20C::MITI//000000000089527	O	C	Situational	

Proposals for discussion

	Daily
Sequence D1a1B	Sequence is mandatory for daily reporting as the ACOW is must !



Minutes from SMPG:

- 1) The proposal is accepted but some members asked some more clarification about which information will be mentioned in the ACOW. We suggest the ACOW to always be filled with the SEME (Sender's Message Reference) of the instruction subject to cash penalties. This information is critical for the participant to retrieve the underlying transaction in their system. The account servicer needs to populated the ACOW with the SEME of the participant's instruction.

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Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

8. Sequence D1a1B1, D1a1B1a, D1a1B1a1 TRAN/STAT/REAS

Sequences	Fields	M/O	Options	Daily	Monthly
Subsequence D1a1B1 (transaction details)	:16R:TRAN				Not applicable The Subsequence D1a1B1 and D1a1B1a, D1a1B1a1 should not be included in the monthly reporting
	:22H::REDE//DELI	M	H		
	:22H::PAYM//APMT	M	H		
	:22F::SETR//TRAD	M	F		
	:22F::TRAN//SETT	M	F		
	:98A::SETT//20190313	M	A,B,C		
	:98C::ASTS//20190313130600	M	C		
	:98C::MTCH//20190313180500	O	C	Recommended	
	:97A::SAFE//12345	O	A,B	Recommended	
	:97A::CASH//12345	O	A,E	Recommended	
	:95P::ACOW//BIC of participant	O	P,Q,R	Recommended	
:36B::PSTA//UNIT/1000,	M	B			
:19A::PSTA//EUR900000,	O	A	Recommended		
Subsequence D1a1B1a (Status)	:16R:STAT	M	D		
	:25D::SETT//PENF	M	D		
Subsequence D1a1B1a1(reason)	:16R:REAS	M	B		
	:24B::PENF//LACK	M	B		

Fields that are not recommended for both daily and monthly

:20F:TRTR	SETR is already mentioned
22F::CAEV	Not needed as cash penalties related to Settlement
22F::BDEV	Not needed
98A::ADEL	Not needed
98C::CUTS	Not needed
98A::EXSE	Not needed
98A::EXVA	Not needed
98C::SCTS	Not needed
98A::TRAD	Not needed
95P::CACO	Not needed



Status and reason code

We suggest to only use status and reason code for SEFP, there is no need to use it for LMFP as the status is always the same («matched»)



Minutes from SMPG:

- 1) Proposal was accepted for the status and the reason code
- 2) Some SPMG members asked that the trade date is recommended in sequence D1a1B1. This was accepted by the group.

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Annex 1 : LMFP over several days

Sequences	Fields	M/O	Options
Subsequence D1a1 (per counterparty)	:16R:PENDET		
	:20C::PREF//ND190313CLXXXXXX	O	C
	:20C::PCOM//200222000000001	M	C
		
		
	:19A::AMCO//EUR17,13	M	A
	:22F::CALM//MIXE	M	F
:99A::DAAC//3	M	A	

Sequences	Fields	M/O	Options
Subsequence D1a1A (calculation details)	:16R:CALDET		
	:98A::PEDA//20190313	M	A,C or E
	:17B::MRED//N	O	B
Subsequence D1a1A1 (financial instrument attributes)	:16R:FIA		
	:35B::ISIN XX0247770224	M	
	.....	O	A or C
	.....	O	B
	:16S:FIA		
	:19A::SECU//EUR6,16	O	A
	:16S:CALDET		

Sequences	Fields	M/O	Options
Subsequence D1a1A (calculation details)	:16R:CALDET		
	:98A::PEDA//20190314	M	A,C or E
	:17B::MRED//N	O	B
	:19A::SECU//EUR5,72	O	A
	:16S:CALDET		

Sequences	Fields	M/O	Options
Subsequence D1a1A (calculation details)	:16R:CALDET		
	:98A::PEDA//20190315	M	A,C or E
	:17B::MRED//N	O	B
	:19A::SECU//EUR5,25	O	A
	:16S:CALDET		

 **Forex rate**

FIA to be repeated for each CALDET if forex rate is mentioned. As the forex rate is different for each day



Minutes from SMPG:

- 1) It was agreed that no reference to forex rate should be made in the MT537PENA (same as for the price) due to data vendor legal issue. It means that in this case the FIA should not be repeated if we have multiple days.

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Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

Annex 2 : Exchange rate



Sequences	Fields	M/O	Options
Subsequence D1a1A (calculation details)	:16R:CALDET		
	:98A::PEDA//20190313	M	A,C or E
	:17B::MRED//N	O	B
Subsequence D1a1A1 (financial instrument attributes)	:16R:FIA		
	:35B:ISIN XX0247770224	M	
	.....	O	A or C
	:92B::EXCH//USD/EUR/0,899 1	O	B
	:16S:FIA		
	.....	O	A or B
	:92B::EXCH//USD/EUR/0,850 2	O	B
	:16S:CALDET		

Minutes from SMPG:

- 1) It was agreed that no reference to forex rate should be made in the MT537PENA (same as for the price) due to data vendor legal issue

1

The exchange rate in the **FIA sequence** will be used for the vast majority of the case (T2S only uses this one).

Used when either the currency of price of the security is different from the currency in which the penalty has to be computed

2

The exchange rate in the **CALDET sequence** will not be used by T2S. However, it can be used in scenario where the calculation method does not use the reference price of the security but only the cash amount of the instruction (calculation method "CASH") and the cash amount of the instruction is in a currency different from the currency of the cash penalties (this cannot happen in T2S).

If a CSD/ICSD decides to calculate all the cash penalties in EUR regardless of the currency of the cash leg of the instruction, any cash penalties that will be calculated with the calculation method "CASH"(for a PFOD) and with the cash leg in a different currency than EUR will result in the foreign exchange being mentioned in the CALDET.

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Annex 3 : Difference daily and monthly

	Daily	Monthly
General Sequence A	✓	✓
D PENA	✓	✓
D1 (per currency for a party)	✓	✓
D1a (per counterparty)	✓	✓
D1a1 (per counterparty)	✓	✓
D1a1A (calculation details)	✓	✗
D1a1A1 (financial instrument attributes)	✓	✗
D1a1B (related transaction)	✓	✗
D1a1B1 (transaction details)	✓	✗
D1a1B1a (Status)	✓	✗
D1a1B1a1(reason)	✓	✗

Except the information on the status and reason of the cash penalty (25D and 24B)

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Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected

Annex 4 : Future changes for Swift release

1) In sequence D1A1 the field :17B::CMPU only has two values “Yes” and “No”.

However, depending on the cases, we might use it for CCP*, insolvency or some cases of sanctions.

Should we give more granularity to this field and provide clear information that this is related to insolvency, sanctions or CCP ?

2) As multiple “Global Net amount” will be reported to the customers and will trigger PFOD or cash movements, it could be interesting to create a reference linked to the Global Net amount. For the moment, the assumption is that one unique “dummy isin” with CBF as SME will be used in all the PFOD. This can be confusing if you have several movements of collection and distribution with the same cash amount and no reference to identify them.

3) Should we remove some values for **Field 25D: Status Code: Penalty Status**

We would only keep **ACTV/OTHR/REMO** for status and remove the following codes (**SWIC/NCOM/REIC/RLOC**).

This is meant to push the community to detail the specific reason in the 24B reason instead of putting it in the 25D.



Minutes from SMPG:

We all agreed that no key information was missing in order to go live with the Settlement discipline cash penalties. To be on the safe side, it was decided to wait and see before triggering a change request if, after the go live, there are other information that should be changed or if some fields are not used. Therefore, it's unlikely that we will ask a CR for the SWIFT release 2021 (deadline is June). We will rather wait for the SWIFT release 2022.

It was reminded that we should always seek an alignment, when possible, between the MT537 and semt.044

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