

# SMPG – Settlement and Reconciliation

**MT548 changes for partial settlement**

**10 February 2020**



# High-level summary

*In our reading of CSDR Settlement discipline ([article 11 of 2018/1229](#)), we have identified a need to report to the customers whether his settlement instruction can still be partially settle or not.*

*This information should be provided on a real-time basis and should take into account the partial indicator of the counterparty's instructions.*

*We would be interested to have SMPG point of view and discuss the different options that are available.*

# CSDR 2018/1229 article 11

## Additional facilities and information

Article 11 stipulates that:

**2. CSDs shall provide participants with *access to real-time information on the status of their settlement instructions in the securities settlement system, including information on:***

- (a) pending settlement instructions that can still be settled on the intended settlement date;
- (b) failed settlement instructions that can no longer be settled on the intended settlement date;
- (c) fully-settled settlement instructions;
- (d) partially-settled settlement instructions, including both the settled and unsettled parts of either financial instruments or cash;
- (e) cancelled settlement instructions, including information about whether those instructions have been cancelled by the system or by the participant.

3. The real-time information referred to in paragraph 2 shall include the following:

- (a) whether the settlement instruction has been matched; ✓
- (b) whether the settlement instruction can still be partially settled; ✗
- (c) whether the settlement instruction is on hold; ✓
- (c) the reasons why instructions are pending or failing ✓

## II. Interpretation of article 11

### Eligibility for partial settlement

How to provide information real time information(1) to indicate if an instruction can still be partially settled(2) ?

- 1) Real time information => MT548 => OK
- 2) Can still be partially settled => How can we determine if an instruction is still eligible for partial settlement?

Based on the 22F:STCO//PART,NPAR, COEX/PARC, COEX/PARQ of the instruction (MT540-543)? Is it sufficient ?



Should the partial settlement flag of the counterparty instruction be taken into account to determine the eligibility to the partial settlement ?

## II. Interpretation of article 11

### Eligibility for partial settlement

Client instruction	Counterparty instruction	Eligibility to partial settlement
PART	NPAR	Not eligible
PART	PART	Eligible
NPAR	PART	Not eligible
COEX/PARC	COEX/PARC	Eligible
COEX/PARC	PART	Eligible
COEX/PARC	COEX/PARQ	Eligible
COEX/PARC	NPAR	Not eligible
.....	.....	.....



The instruction is only eligible for partial settlement provided that both parties have an indicator allowing partial settlement !

In case of **mismatch** according to CSDR, the information should be reported to the customers that the instruction is not eligible for partial settlement.

## II. Potential solutions

### Option 1 : MT548 using STCO (sequence B) 22F:STCO/PART or NPAR

The field **22F:STCO/PART** or **22F:STCO/NPAR** could be used to advise customer that the transaction is not subject to partial settlement

If client has send his MT54X with PART and his counterparty has NPAR, we could imagine to send a MT548 with **22F:STCO/NPAR**

#### SWIFT STCO Definition:

Settlement Transaction Condition Indicator

Specifies the conditions under which the order/trade was to be settled.

#### Current Market usage :

The STCO is often used to provide the information of the underlying instruction but does not provide information at the transaction level.

#### Proposal with Option 1:

Use in the MT548 a STCO with the partial settlement indicator of the transaction and not of the instruction. In other words, to take into account the counterparty partial settlement indicator

## II. Potential solutions

### Option 2 : MT548 using PEND/PENF (narrative)

In addition to the main reason for the transaction to be pending or failing, an additional information would be provided for the mismatch on the partial settlement indicator

Example: A transaction failing because the client is short of securities and with a mismatch on the partial settlement indicator would be reported with the below information

```
:16R:STAT  
:25D::SETT//PENF  
:16R:REAS  
:24B::PENF//LACK  
:16S:REAS  
16R:REAS  
:24B::PENF//NARR  
:70D::REAS//Not eligible for partial settlement  
16S:REAS  
:16S:STAT
```

## II. Potential solutions

### Option 3 : MT548 using PEND/PENF (new qualifier for SR2021)

In addition to the main reason for the transaction to be pending or failing, an additional information would be provided for the mismatch on the partial settlement indicator

Example: A transaction failing because the client is short of securities and with a mismatch on the partial settlement indicator

```
:16R:STAT  
:25D::SETT//PENF  
:16R:REAS  
:24B::PENF//LACK  
:16S:REAS  
16R:REAS  
:24B::PENF//NPAR  
:70D::REAS//Not eligible for partial settlement  
:16S:STAT
```

Qualifier does not currently exist  
either for PEND or PENF



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# Opinions ?

