



Settlement and Reconciliation Working Group

Topic 1 . PSET discussion



SMPG guidance : PSET

The SMPG members have defined the receiving/delivering depository (PSET) as below:

- The receiving/delivering depository (PSET) is to be understood as the **depository where the settlement will occur**. The receiving depository in a delivery message, and the delivering depository in a receipt message, always relates to the depository where the counterparty instructions settle.
- The field is to be populated **with the BIC** of a national or international CSD¹. When no CSD exists in a particular market, the BIC of the stock exchange will be used.
- Country code should be used for any settlement taking place outside of an institution published in the depositories BIC list. This includes physical deliveries and investment funds not settling at a CSD.
- The format and content of the settlement party sequences will comply with the market practices published for the place of settlement included in the message.

The PSET is the BIC 11 of the CSD where the counterparty is located regardless of the underlying security



Pros

- The SMPG guidance is not imposed but is a standard which is followed by the vast majority of the market.



Cons

- Some CSDs do not follow the current SMPG market practice
- Many institutions have hardcoded in their system that the PSET is linked to the instrument and not the counterparty



SMPG guidance : PSAF

In a settlement instruction, place of safekeeping is the place (CSD or custodian) where, to the fund manager's knowledge, its securities are or should be kept (before settlement of a delivery or after settlement of a receive instruction). In ISO 20022, if the place of safekeeping is a CSD, it will correspond to the receiving/delivering depository, and if it corresponds to a custodian it will also correspond to place of safekeeping in ISO 20022

Unless special arrangements exist between the account servicer and the account owner, **it is recommended to use the place of safekeeping field following the market practice described below:**

Place of safekeeping is a national CSD

A NCSD's BIC will be used for domestic and NCSD to NCSD settlement instructions. See examples A1a, A5a, B1a and B5a (see also additional examples). **PSAF will then correspond to the receiving/delivering depository in ISO 20022.**

Place of safekeeping is an international CSD

An ICSD's BIC will be used for ICSD internal, ICSD/local and ICSD to ICSD settlement instructions, independently from the fact the ICSD eventually holds the securities at a National CSD. See examples A5a, B1a and B5a (see also additional examples). **PSAF will then correspond to the receiving/delivering depository in ISO 20022.**

Place of safekeeping is a local custodian

Applicable, for instance, when the account servicer is a global custodian and provides the account owner with a position reporting at global custodian's agents' level. The fund manager would therefore mention, as a place of safekeeping, the BIC of the global custodian's agent on the market. **PSAF will then also correspond to the place of safekeeping in ISO 20022.**

Field not present:

Absence of place of safekeeping will mean:

- The place of safekeeping is known of the global custodian (SLA, account structure, ETC. See chapter I. Scope).
- The place of safekeeping is the counterparty's depository. The transaction is therefore domestic (to an NCSD) or internal to an ICSD.



Your feedback !

Some key feedbacks:

- (US) There are a couple of scenarios the group recognized where the place of safekeeping (PSAF) is not the same as place of settlement (PSET). This occurs sometimes with clearstream/euroclear settlement and Euroclear/DTCC. **For T2S the original idea at industry level was that there would be a harmonisation across the 21 in scope European markets so that trades could settle cross platform.** This never took off and has fallen off the radar since the initial tranches back in 2015. Haven't anything that suggests this is being looked at again..
- (US) Overall the group **is not pro separate place of safekeeping that is different than PSET.** The current PSET as place of settlement, holdings and counterparty works efficiently.
- (CH) The Cross-CSD model was already in place before T2S. T2S simply adopted an existing rule.
From my perspective, the PSET depends on whether a **CSD has the role of a regular CSD-participant or an investor-CSD.**
- (UK) In general, yes, **we process the PSET and PSAF as instructed by the client** in all regions of the world with very few issues. By definition, the PSET is the place of settlement of the counterparty so if a PSAF is included, we will take that as being the place of settlement of the client and route accordingly.

Key takeaways:

- Europe is fragmented market (compared to US). T2S was meant to harmonized and promote Cross-border settlement. Where are we?
- Why do we have a different PSAF and PSET for a single transaction?
- CSDs can either be investor-CSD or regular participants, what are the different models?



Your feedback !



Europe is fragmented market (compared to US). T2S was meant to harmonized and promote Cross-border settlement. Where are we?

There are now 24 CSDs in T2S. Due to the fragmentation of Europe, it's necessary to have the possibility to transfer securities from one CSD to another. This enable via T2S Cross-CSD settlement. Even if the Cross-CSD settlement represents less than 3% of the total overall volume of T2S. The volume keeps increasing as more and more market infrastructure are moving from an agent model to an investor-CSD model.



Why do we have a different PSAF and PSET for a single transaction?

If we take the perspective from the ICSDs. The PSAF is almost not used. The ICSDs will default the sending of the instruction (for External settlement) based on the underlying of the security.

The PSAF is only needed if a client is instructing on a multi-listed/deposited security and does not use a common code. In this case, we need the place of safekeeping to identify either the home code or the remote code



CSDs can either be investor-CSD or regular participants, what are the different models?

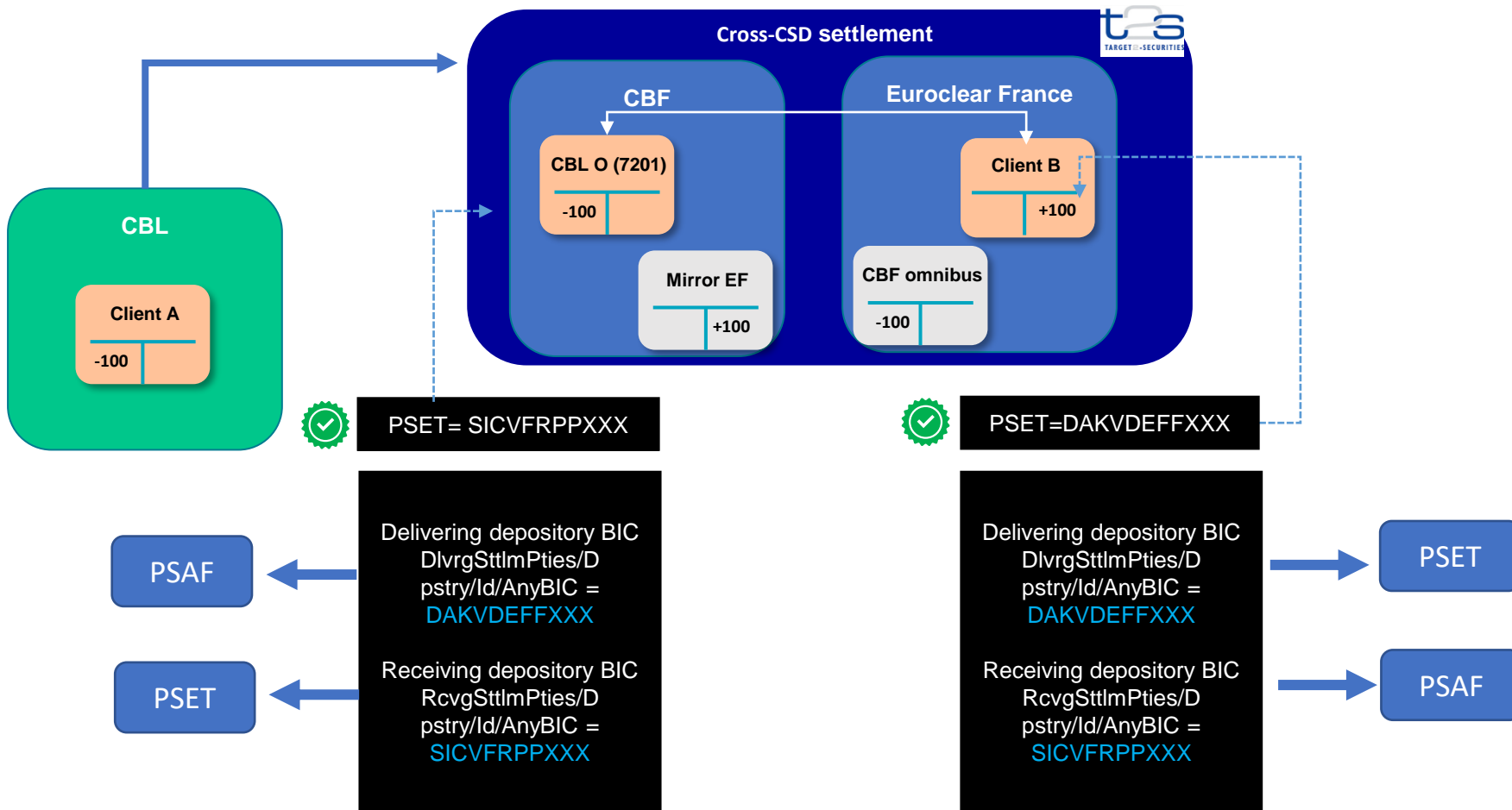
A CSD can decide to be either investor in a CSD or to be participant.

Before T2S, everybody had an agent or direct model to the domestic market. In case of Cross-border settlement with a domestic market, the PSET was the same for both the client and the counterparty as it was an internal settlement within the CSD. Now since T2S, CSD can use (at least in T2S) an investor-CSD model where they appoint another CSD as technical issuer CSD and the transaction is taking place between both participants and T2S takes care of the realignment



Comparison ISO 15022 and ISO 20022

Scenario : Client A (CBL) wants to deliver 100 French securities to Client B (EF)

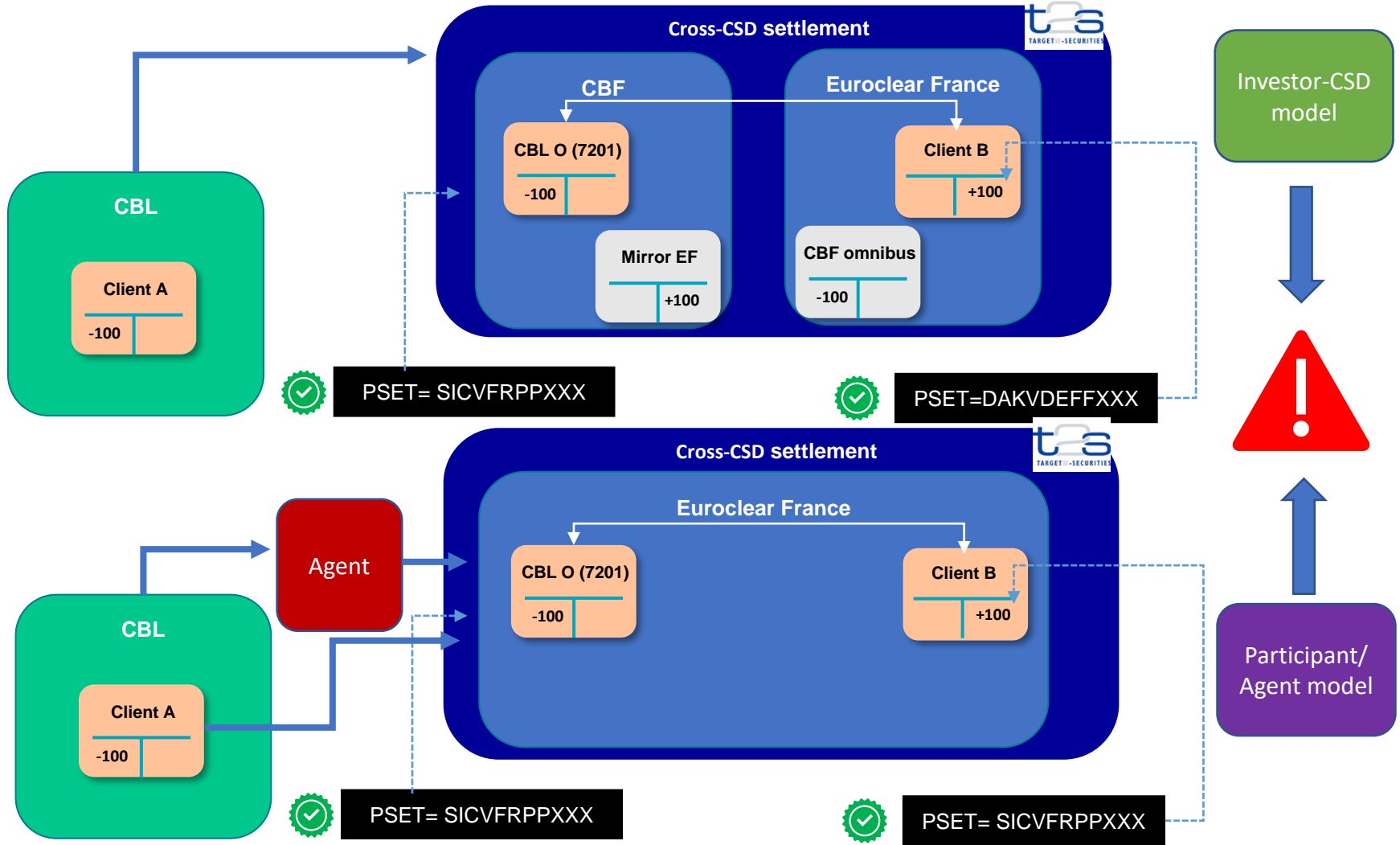




Participant/Agent vs investor-CSD model

1

Scenario : Client A (CBL) wants to deliver 100 French securities to Client B (EF)



Key points:

- Investor-CSD model (T2S) have two different PSET in case of Settlement between two different CSDs

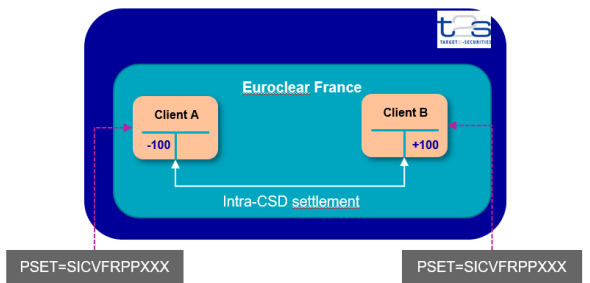


- Participant or agent model have one single PSET in case of Settlement between two different CSDs

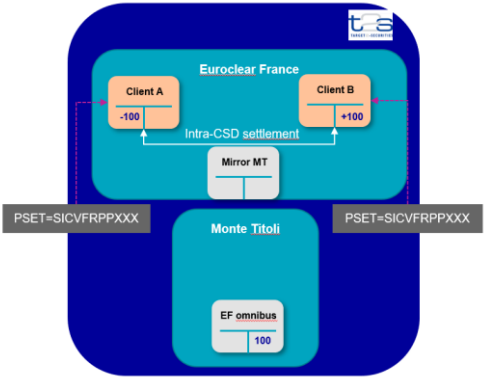


Illustration of the concept with T2S

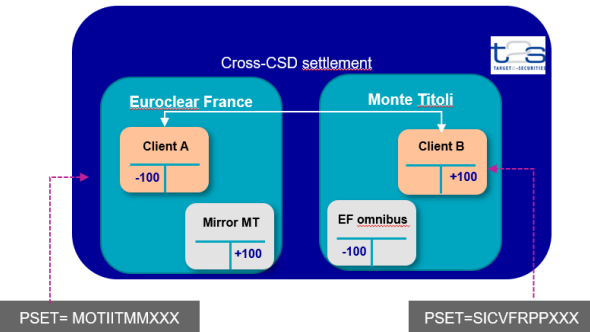
1 **Intra-CSD settlement** on a French security between French participants



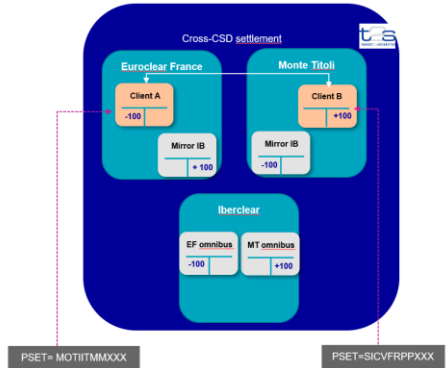
2 **Intra-CSD settlement** on an Italian security between French participants



3 **Cross-CSD settlement** between a French participant and an Italian participant on an Italian security



4 **Cross-CSD settlement** between a French participant and an Italian participant on a Spanish security



Internal

Key points:

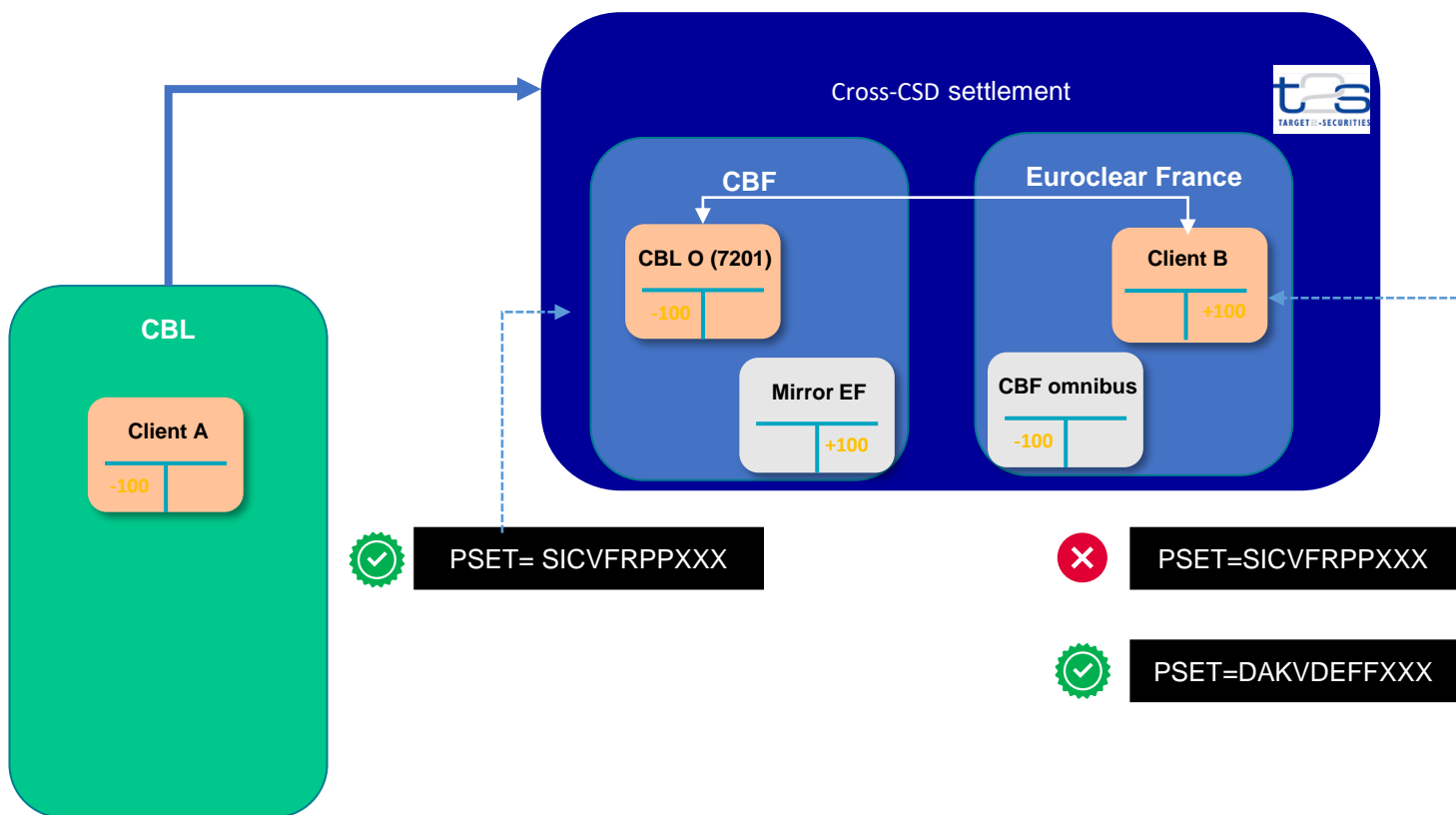
- The SMPG concept is applied, the PSET corresponds to the BIC11 of the CSD where the counterparty is located
- The PSET is independent from the underlying security. The CSD where the ISIN is held has no impact on the place of settlement to be used
- Assumption is taken that all the counterparty CSD links have been established. For example, in case 4, we assume that both Euroclear France and Monte Titoli accept each other as eligible counterparty for Spanish securities



Counterparty's IT system limitations

1

Scenario : Client A (CBL) wants to deliver 100 French securities to Client B (EF)



Key points:

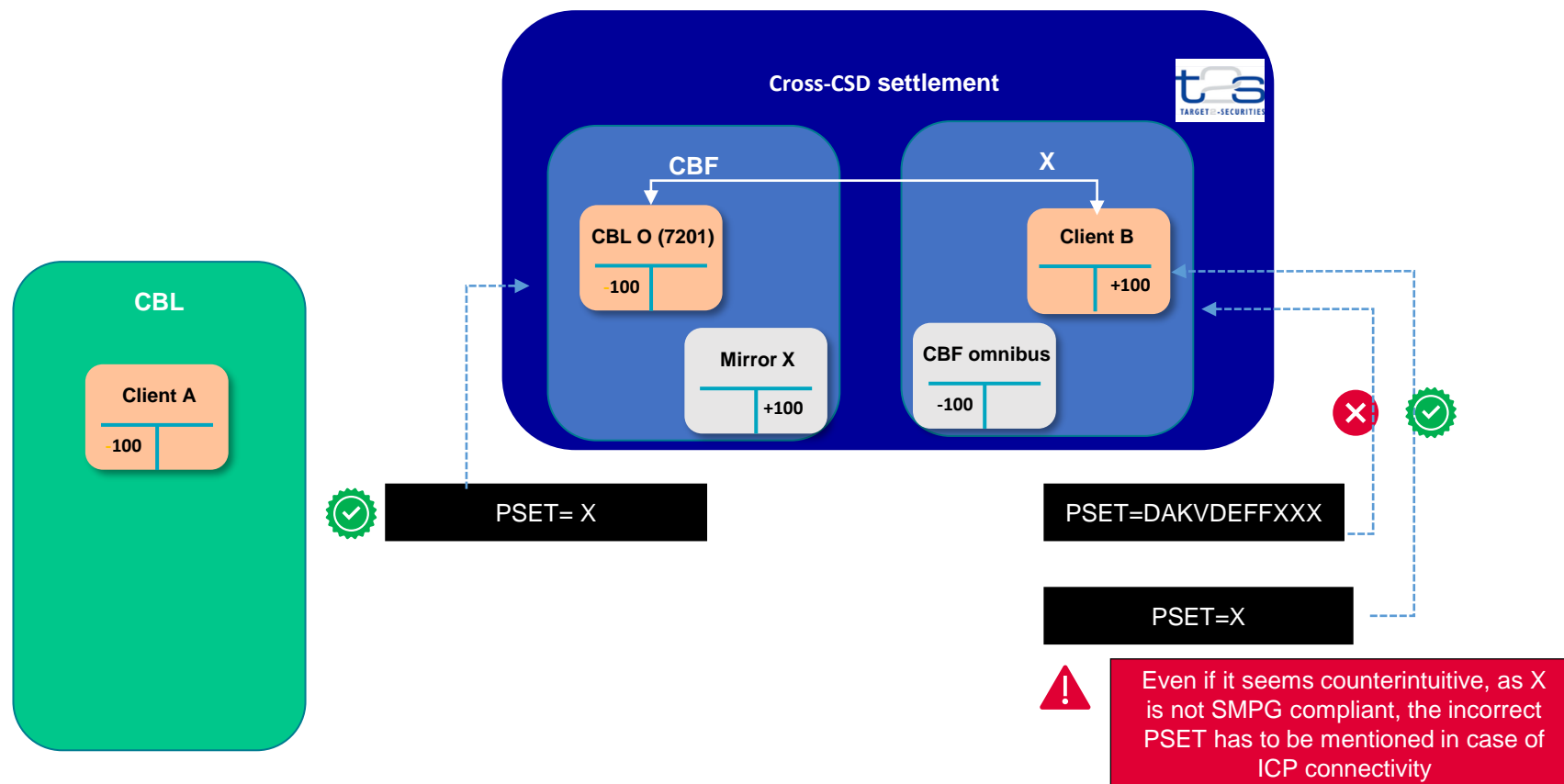
- Many institutions throughout the world have hardcoded in their system that securities are settling domestically and that the PSET is linked to the ISIN exchanged and not to the CSD of the counterparty.
- SMPG and T2S guidelines = PSET is the BIC11 of the CSD where the counterparty is located
- Various counterparties system = PSET is the BIC11 of the CSD where the underlying securities is issued



CSD or Service Provider limitations

2

Scenario : Client A (CBL) wants to deliver 100 securities to Client B (X)



Key points:

- Some CSDs or Service Providers have not adapted to Cross-border settlement and are not SMPG compliant
- Of course, if counterparties are DCPs these CSDs limitations do not apply
- Potentially, Global Custodians or any intermediaries can have the same system limitations



How does a CSD not SMPG compliant know that a Cross-CSD movement has to be triggered?

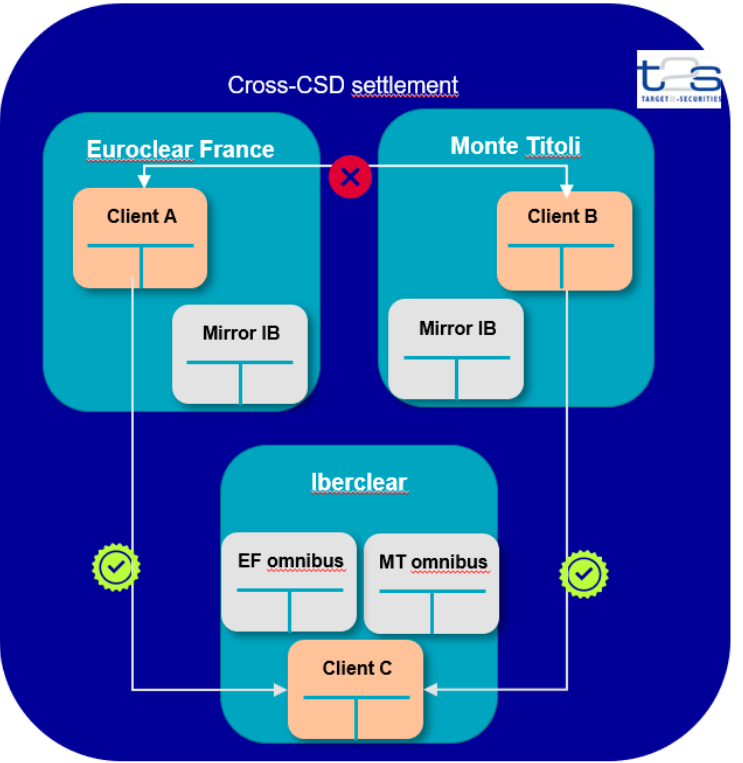
They require their participants to mention the PSET in another field (e.g. SAFE in the DEAG/REAG). It is very likely that they derive the actual PSET from the first four digits of the SAFE



OTHER – NON PSET related limitations

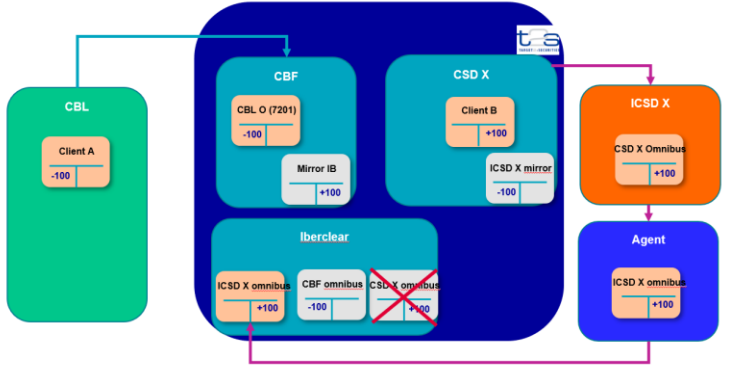
3 Cross-CSD not possible if missing counterparty CSD links

Cross-CSD is only possible if both CSDs allowed the necessary counterparty CSD links.

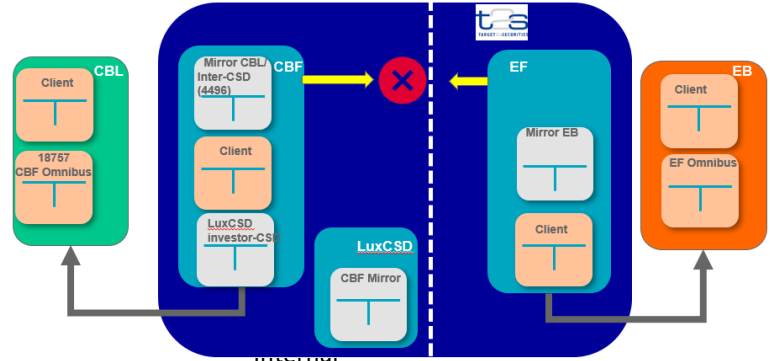


4 CSDs using external links to make T2S-in securities eligible

Only possible if the participant in CSD X uses an manual (FOP process) and the counterparty matches in Iberclear against ICSD X



5 CSDs using different technical issuer CSDs for T2S-out securities
Not possible unless, all agree on one single technical issuer CSD



Key points:

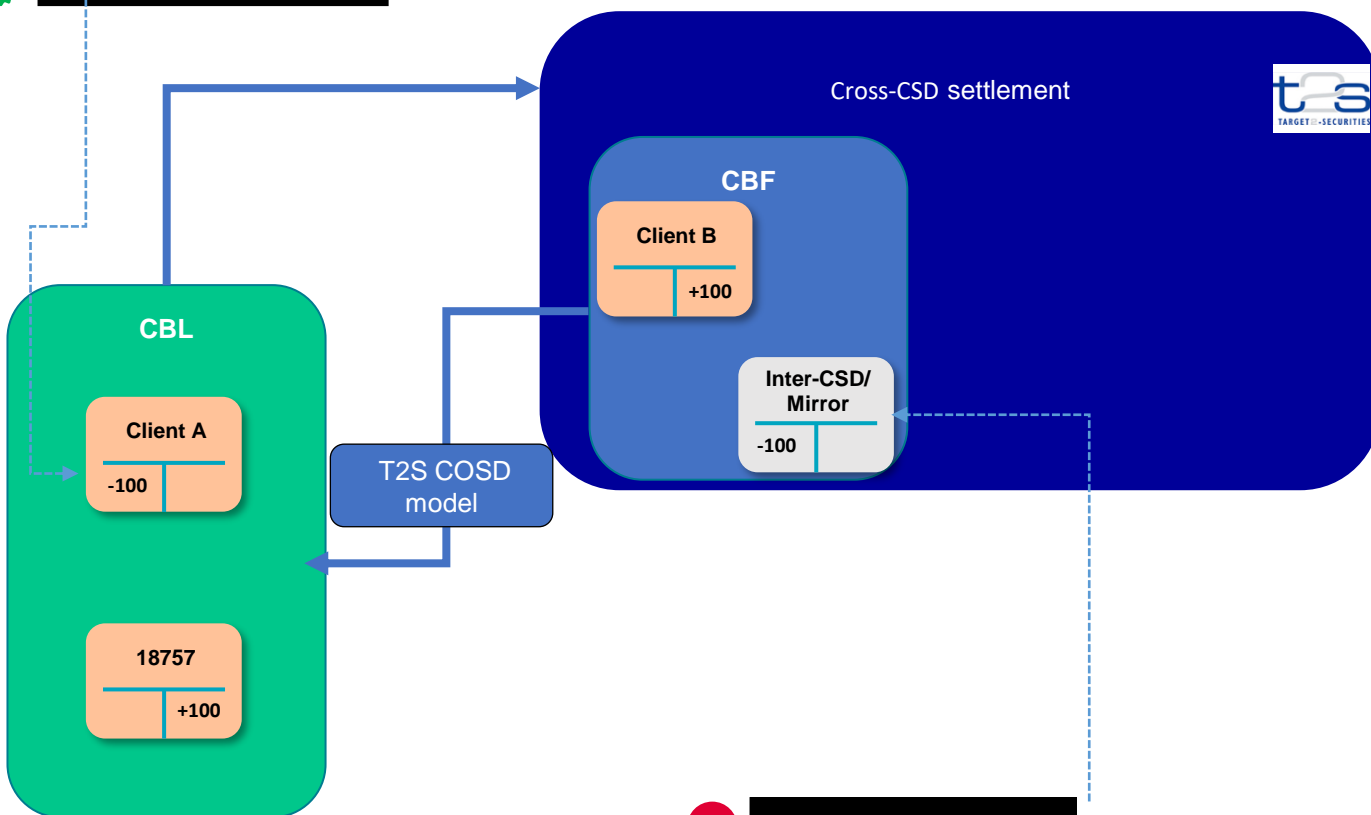
- Some Cross-CSD settlement transactions are not possible because the CSDs did not do the necessary set-up to allow settlement with a specific counterparty CSD (point 3). In the example, Euroclear France can only do a transaction with Monte Titoli in Spanish securities provided that both (EF and MT) have accepted each other as eligible counterparties for Spanish securities
- Some Cross-CSD settlement transactions are very complex as CSDs have appointed external CSDs/ICSDs even for T2S-in securities (second example). This settlement is very manual process.
- For T2S-out securities where the two CSDs involved in the Cross-CSD transfer have appointed two different technical issuer CSDs, the settlement is not possible (e.g. Eurobonds, ETF, Finnish securities,...)




Clearstream specific PSET case

Scenario : Client A (CBL) wants to deliver 100 XS securities to Client B (CBF)

 PSET= CEDELULLXXX



 PSET= CEDELULLCPI

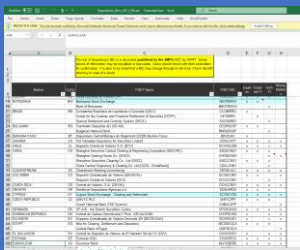
Key points:

- CBF-CBL (or EB) on a T2S CSD-Out security is done via the CBF-CBL link where CBF is investor-CSD in CBL
- Clearstream is leveraging the COSD model from T2S
- CEDELULLCPI has been created as External CSD in T2S.
- The PSET to be mentioned by T2S participants that wish to transfer their T2S CSD Out securities outside T2S is "CEDELULLCPI"
- Specific case, you could argue that this is SMPG compliant.



Open discussion on the PSET

- What are the key takeaways from the PSET discussion ?
- Discussion of the PSET in the context of Blockchain/DLT
- Discussion on the depository BIC list. How to update it?



The screenshot shows a spreadsheet with multiple columns. The columns include names of financial institutions or entities, their addresses, and other identifying information. Some rows are highlighted in yellow, and there are some numerical values in the right-hand columns.



Settlement and Reconciliation Working Group

Topic 2 . Multiple settlement statuses



Birth of the PATD



CSDR

SDR

Article 11

Article 11
Additional facilities and information

- CSDs shall offer participants the possibility to be informed about a pending settlement instruction of their counterparties, either within one hour after the first unsuccessful attempt to match that instruction, or immediately after such an unsuccessful attempt where that attempt has been made within the five-hour period before the cut-off of the intended settlement date or after the intended settlement date.
- 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:
 - pending settlement instructions that can still be settled on the intended settlement date;
 - failed settlement instructions that can no longer be settled on the intended settlement date;
 - fully-settled settlement instructions;
 - partially-settled settlement instructions, including both the settled and unsettled parts of either financial instruments or cash;
 - cancelled settlement instructions, including information about whether those instructions have been cancelled by the system or by the participant.
- The real-time information referred to in paragraph 2 shall include the following:
 - whether the settlement instruction has been matched;
 - whether the settlement instruction can still be partially settled;
 - whether the settlement instruction is on hold;
 - the reasons why instructions are pending or failing.
- CSDs shall offer participants either real-time gross settlement throughout each business day or a minimum of three settlement batches per business day. The three settlement batches shall be spread across the business day in accordance with market needs, based on a request by the user committee of the CSD.



SWIFT release 2022

CR 001779: Add status reason code to indicate a mismatch on the partial settlement indicator



Mixed feelings



- The group was divided on the interest of such information for the industry. Some were in favor and other did not see the advantage.

- However, the CR was approved and implemented within the SWIFT release 2022.



Where are we now in 2023 with the PATD ?

1 Clearstream has implemented PATD in Nov 22 (following SWIFT release)

2 Euroclear will implement the PATD in June 23

3 Iberclear raised a T2S CR 799

With the ICSDs and T2S onboard, the PATD is getting more and more tractions !

Iberclear raised [CR-799](#) 'Matched Partial Settlement Indicator should be informed in sese.024 when instructions are matched' in December 2022. It has been recently withdrawn because CBF proposed to follow a harmonised approach and it was accepted by the CRG. This means that there is a new ISO CR-1779 that will made a new field available in the sese.024 to inform the mismatch of the PSI.

It was acknowledged in the CRG that a new CR should be raised in T2S to be able to populate the new field that the ISO CR foresees.

Therefore it was agreed to withdraw CR-799 and to raise a new one, with the intention to implement it with the ISO CR1779, currently allocated to ISO MR2022 (to be implemented in R2025.JUN with the catch-up of ISO MR2024 with the current unfreeze strategy still to be approved by MIB).



How is partial settlement used?

1

Account set-up

Clients having subscribed to partial settlement at account set-up

2

Transaction level

Clients sending their instruction with PART or amending via MT530 their instructions with PART when needed

3

Reactive approach

Client reacting only when receiving the PATD in their reporting

! NEW ! since PATD implementation

Since the PATD implementation, we have seen some changes in behavior as some clients are expecting the MT548 with PATD before using the partial settlement indicator



Evolution of the Settlement reporting

With the introduction of the PATD and as well other codes (e.g. BATM), we are more and more confronted with several settlement statuses to be reported for a single transaction.

Isn't it our role to define and update our standard market practice to define how to report multiple settlement statuses? Should we provide some guidance?



How to report PATD or any additional settlement status in a MT548 ?

Standard reporting of an instruction pending before settlement date (SMPG)

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND//FUTU
	:16S:REAS
	:16S:STAT

OR

1st MT548	2nd MT548	3rd MT548
:16R:STAT	:16R:STAT	:16R:STAT
:25D::MTCH//NMAT	:25D::MTCH//MACH	:25D::SETT//PEND
:16R:REAS	:16S:STAT	:16R:REAS
:24B::NMAT//CMIS		:24B::PEND//FUTU
:16S:REAS		:16S:REAS
:16S:STAT		:16S:STAT

To simplify the next slides, I will only take into account the case where the instruction matches right away



How to report PATD or any additional settlement status in a MT548 ?

Basic scenario !

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// FUTU
	:16S:REAS
	:16S:STAT



1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PATD
	:16S:REAS
	:16S:STAT





Option 1 to report PATD

Option 1 on how to report the PATD in more complex scenario! (HOLD)

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PREA
	:16S:REAS
	:16S:STAT

1st MT548	2nd MT548	3rd MT548
:16R:STAT	:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND	:25D::SETT//PEND
:16S:STAT	:16R:REAS	:16R:REAS
	:24B::PEND// PATD	:24B::PEND// PREA
	:16S:REAS	:16S:REAS
	:16S:STAT	:16S:STAT



Option 2 to report PATD

Option 2 on how to report the PATD in more complex scenario! (HOLD)

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PREA
	:16S:REAS
	:16S:STAT

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PATD
	:16S:REAS
	:16R:REAS
	:24B::PEND// PREA
	:16S:REAS
	:16S:STAT

- Is this correct from a syntax point of view?
- Where is the MT548 (ISO15022) MP located on the SMPG website (disappear)?



Conclusion

Option 1

1st MT548	2nd MT548	3rd MT548
:16R:STAT	:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND	:25D::SETT//PEND
:16S:STAT	:16R:REAS	:16R:REAS
	:24B::PEND// PATD	:24B::PEND// PREA
	:16S:REAS	:16S:REAS
	:16S:STAT	:16S:STAT

Option 2

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PATD
	:16S:REAS
	:16R:REAS
	:24B::PEND// PREA
	:16S:REAS
	:16S:STAT



Cleanest option. One single info per MT548



Some industry stakeholders cannot handle multiple matching or settlement information within the same SWIFT



Increased the SWIFT traffic



SWIFT does not guarantee the SWIFT order. The PATD might erase the PREA if sent before.... The key information (PREA) can be missed.



Less SWIFT traffic



Some industry stakeholders cannot handle more than one information in the MT548. They might take the wrong information if many information is mentioned



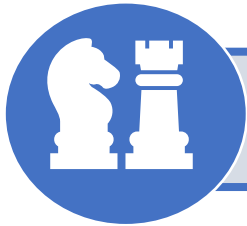
Open discussion on the reporting of multiple settlement statuses

- How do we report multiple settlement statuses via MT548
- What is the group feedback on the different options?

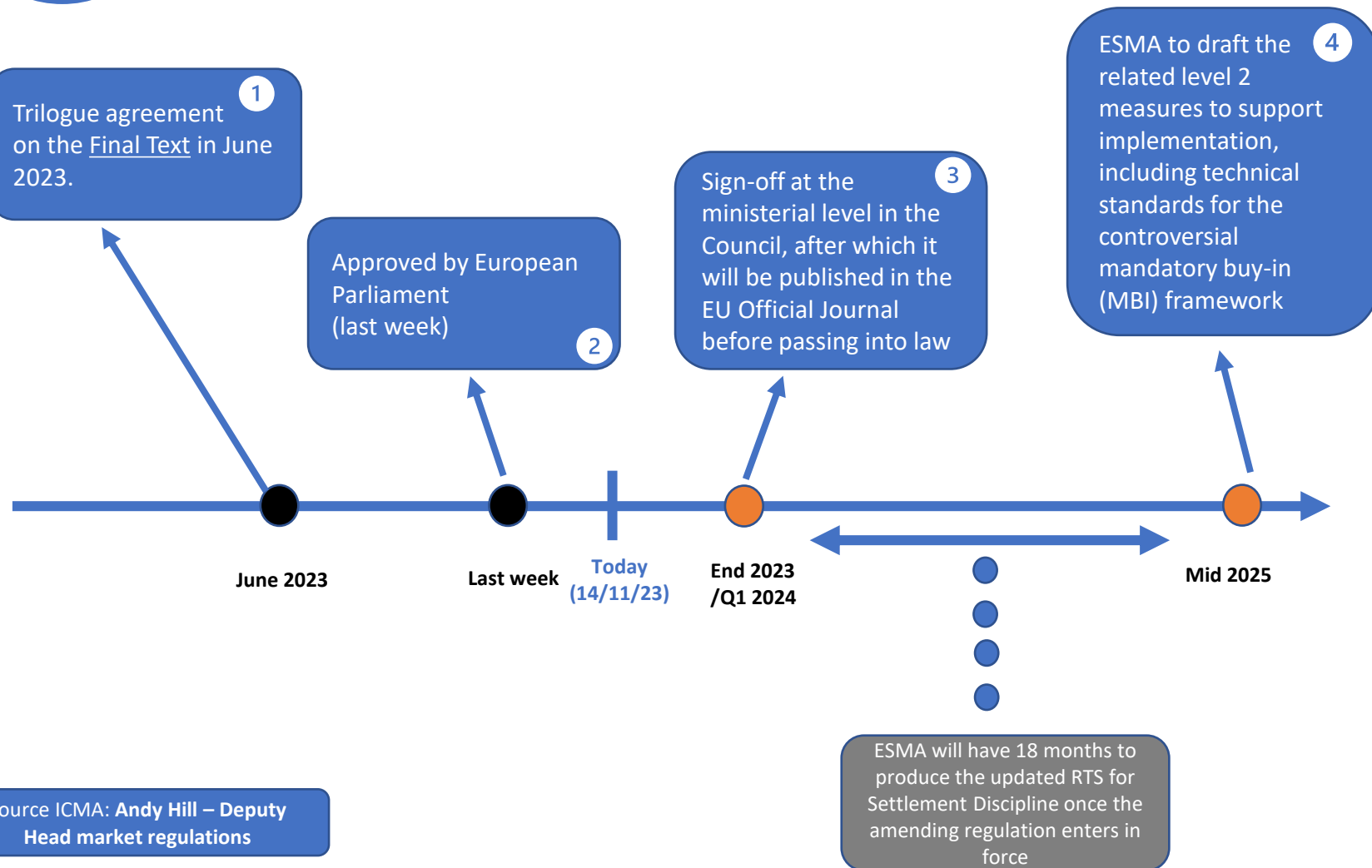


Settlement and Reconciliation Working Group

Topic 3 . CSDR Refit



CSDR refit context



Source ICMA: Andy Hill – Deputy Head market regulations

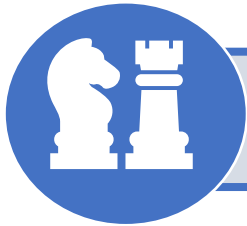
A quick reminder of what the revised regulation provides for with respect to MBIs and related settlement discipline provisions:

The two-step approach for determining whether for a particular instrument MBIs constitute a necessary, appropriate and proportionate means to address the level of settlement fails in the EU requires the consideration of the following:

- the possible impact of the MBI on the market;
- the number, volume, and duration of fails, including those still outstanding at the end of the extension period; and
- **whether the instrument or transaction type is already subject to existing contractual buy-ins.**

And both of these conditions must be met:

- cash penalties have not resulted in a long-term, sustainable reduction in or in maintaining a reduced level of settlement fails, even after a review of the level of penalties;
- and the level of settlement fails has or is likely to have a negative effect on financial stability



CSDR refit context

HAS ADOPTED THIS REGULATION:



Article 1

Amendment to Delegated Regulation (EU) 2018/1229

Delegated Regulation (EU) 2018/1229 is amended as follows:
Article 19 is replaced by the following:

“Article 19

Penalty mechanism for transactions cleared by CCPs where the participant is a CCP

With respect to settlement fails of transactions cleared by CCPs where the failing or the receiving participant is a CCP:

- (a) CSDs shall:
- (i) calculate and apply the cash penalties in accordance with Article 16;
 - (ii) collect from and distribute to their participants the net amount of cash penalties in accordance with Article 17; and



- (iii) manage costs relating to the application of the cash penalties mechanism to such transactions in accordance with Article 18.

(b) CCPs may allocate to their clearing members the net amount of penalties, credit or debit, received or paid pursuant to point (a). In such cases, CCPs shall establish relevant mechanism in their rules.”

Article 2

Entry into force and application

1. This Regulation shall enter into force on the on the twentieth day following that of its publication in the Official Journal of the European Union.
2. It shall apply in respect of all settlement fails subject to the cash penalties referred to in Article 7(2) of Regulation (EU) No 909/2014 and occurring on the first business day or later of the twelfth month following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

Final Report

Draft RTS amending Article 19 of Commission Delegated Regulation (EU) 2018/1229

6.14.3 Subsequence D1 “PENACUR”

Sequences	Fields	M/O	Definition	Options	Daily	Monthly
16R-PENACUR			Penalties per Currency for a Party (D1)			
11A-PECU/EUR		O	Currency of Penalties	A	Recommended	Recommended
98A-DACD/20190314		O	Penalty Detection Date/Time	A or C	Recommended	Not recommended
98A-PAYD/20210525		O	Payment Date	A	Not recommended	Mandatory (SR2023)
97A-CASH/12345		O	Cash Account	A or E	Not recommended	Recommended
20C-CP88/1234567890123456 (SR2021)		O	Reference of the penalty payment.	C	Not recommended	Recommended
95R-REPA/XXXX/12345		M	Counterparty's Account	P,Q,R	Recommended	Recommended
95P-CASD/DAVDEFFXXX		O	Account Servicer/Depository of the CSD	P or Q	Recommended	Recommended
95P-DCSD/SICVFRPXXXX		O	Depository of the CSD	P or Q	Conditional	Conditional
22F-TRCA/CSDP		M	Party Capacity Indicator	F		
19A-GINT/EUR6,16		O	Global Net Amount	A		Recommended

6.14.5 Subsequence D1a1 “PENDET”

Sequences	Fields	M/O	Definition	Options	Daily	Monthly
16R-PENDET			Penalty Details (D1a1)			
20C-PCOM/NC20210311000001		M	Penalty Common Reference	C		
20C-PPRF/NC20210311000001		O	Penalty Reference	C	Recommended	Recommended
20C-PPCM/NC20210311000000		O	Previous Penalty Common Reference	C	Conditional	Conditional
20C-PPRF/NC20210311000000		O	Previous Penalty Reference	C	Conditional	Conditional
22H-PNTR/LMFP		M	Penalty Type	H		
22H-CALM/MIKE		M	Calculation Method	H		
17B-CMPU/Y		O	Computed Flag/Amount considered for aggregation	B	Recommended	Recommended
17B-CNTU/Y (SR 2023)		O	Continuation Flag	B	Conditional	Conditional
25D-PNST/ACTV		O	Penalty Status	D	Recommended	Should not be included in the monthly reporting
24B-ACTV/NEWP		O	Active Reason	B	Recommended	
19A-AMCO/EUR6,16		M	Amount Computed	A		

CCP instructions should be treated in the same way as any standard instruction

Non- impact:

Subsequence D1 “PENACUR” or D1a “PENACOUNT”

We still recommend to use CCPA value in the field “22F::TRCA//”

Impact:

Subsequence D1a1 “PENDET”

We should not use value “N” in the field “17B::CMPU//” for instructions from CCP.

It is expected that this field will not be used anymore except in case of insolvency (TBC)



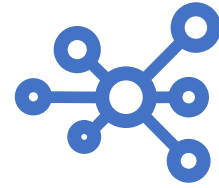
Open discussion on CSDR refit

- Does the group see any other impact of the CSDR refit (article 19) on reporting?



Settlement and Reconciliation Working Group

Topic 4 . T+1 Europe and US



T+1 Europe – State of play

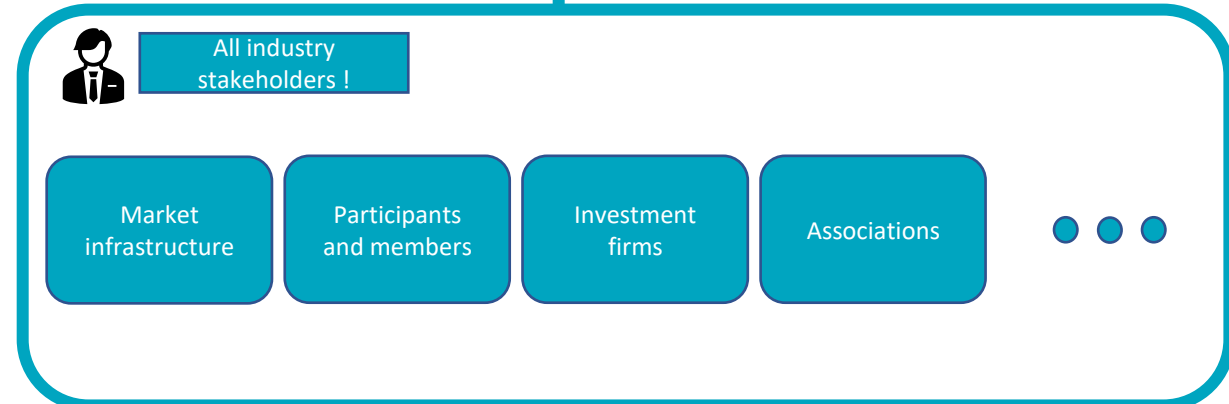


19 associations

- Alternative Investment Management Association (**AIMA**)
- Association for Financial Markets in Europe (**AFME**)
- Association of Global Custodians (**AGC**)
- Electronic Debt Markets Association Europe (**EDMAE**)
- European Association of CCP Clearing Houses (**EACH**)
- European Association of Public Banks (**EAPB**)
- European Banking Federation (**EBF**)
- European Central Securities Depositories Association (**ECSDA**)
- European Fund and Asset Management Association (**EFAMA**)
- European Venues and Intermediaries Association (**EVIA**)
- Federation of European Securities Exchanges (**FESE**)
- FIA European Principal Traders Association (**FIA-EPTA**)
- German Investment Funds Association (**BVI**)
- Global Financial Markets Association - Global FX Division (**GFMA-GFXD**)
- International Capital Markets Association (**ICMA**)
- International Swaps and Derivatives Association (**ISDA**)
- International Securities Lending Association (**ISLA**)
- International Securities Services Association (**ISSA**)
- World Federation of Exchanges (**WFE**)



AFME subgroup on T+1	Representatives
Trading	xxx
Matching/Confirmation	xxx
Clearing	xxx
Settlement	xxx
Corporate Actions	xxx
Funding/FX	xxx
Securities Financing	xxx
Funds (inc ETFs)	xxx
National-specific considerations	xxx



Internal



What is the affirmation process

What is an affirmation?

ID settlement is the successful end result of Institutional Trade Processing. An Affirmation serves as an **acknowledgment to all parties of the trade (Broker-Dealer, Institution, Agent) that the trade was reported in conformity with the trade details and settlement instructions.**

When do affirmations occur?

- T+1 introduces a requirement for same day Allocations, Confirmations, and Affirmations
- **Affirmation cutoff will move from CSD-1 11:30 am NY to Trade Date at 9:00 pm NY**
- Affirmations are being done much closer to the actual trade execution

Why are affirmations important now?

- **Affirmation under T+2 lifecycle was not a regulatory requirement which will become one under T+1**
- SEC Rule 15C6-2 of the Exchange Act requires allocation, confirmation and affirmation process to occur no later than end of trade date – DTCC deadline 21:00 NY Trade Date
- The affirmation can be delegated to the custodian which can be performed based on a SWIFT message instruction sent by the Institution to the Custodian.

Who performs the affirmation?

Fundamental choice required on who is performing Affirmation.

To be one or other:

- Institutions
- Agent (Custodian)

Institutions can affirm trades or delegate this responsibility to their Custodian

What are the benefits?

- Affirmation provides assurance that the details of the trade are agreed between the buyer and seller. Settlement rates for affirmed trades are significantly higher than settlement rates for unaffirmed trades.
- Affirmed ID trades result in an automated settlement on DTC books with no need for delivery party to input separate delivery instructions



Comparing matching vs affirmation

Europe

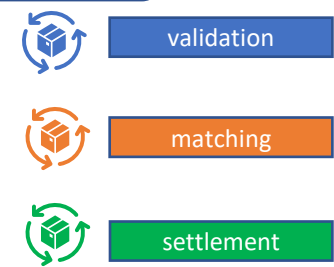
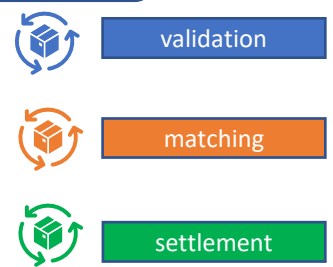
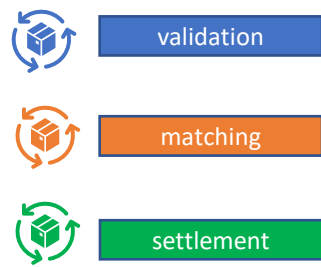
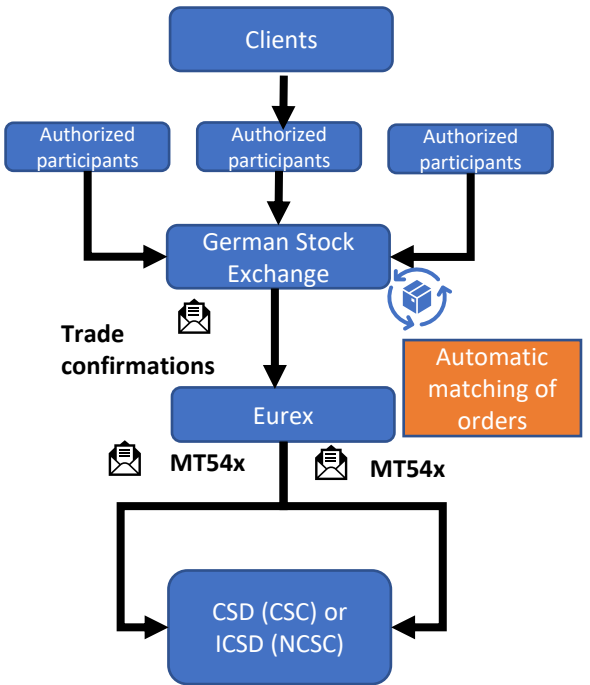
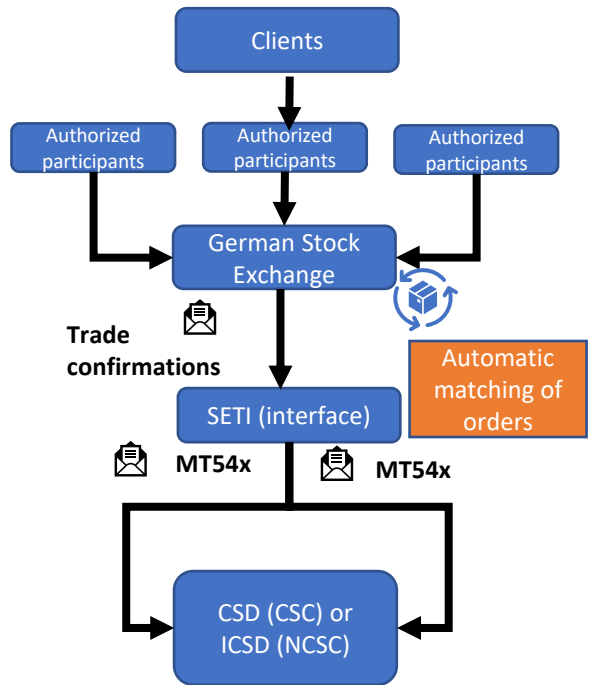
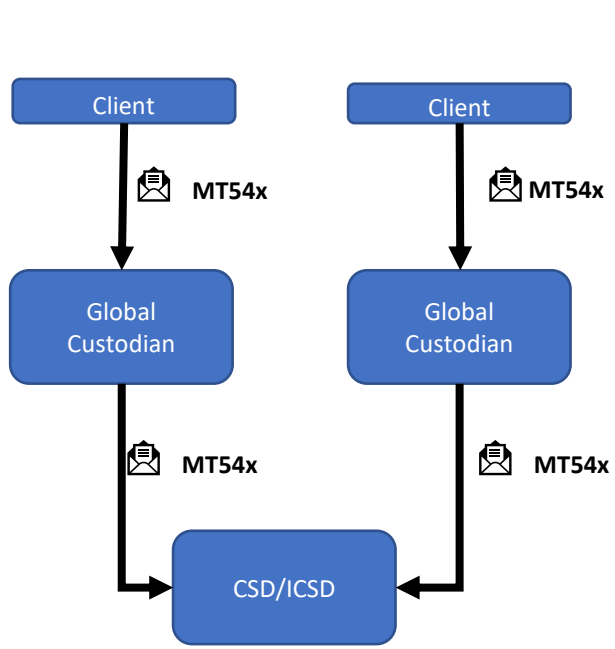
US

OTC

SE (non-cleared)

SE (cleared)

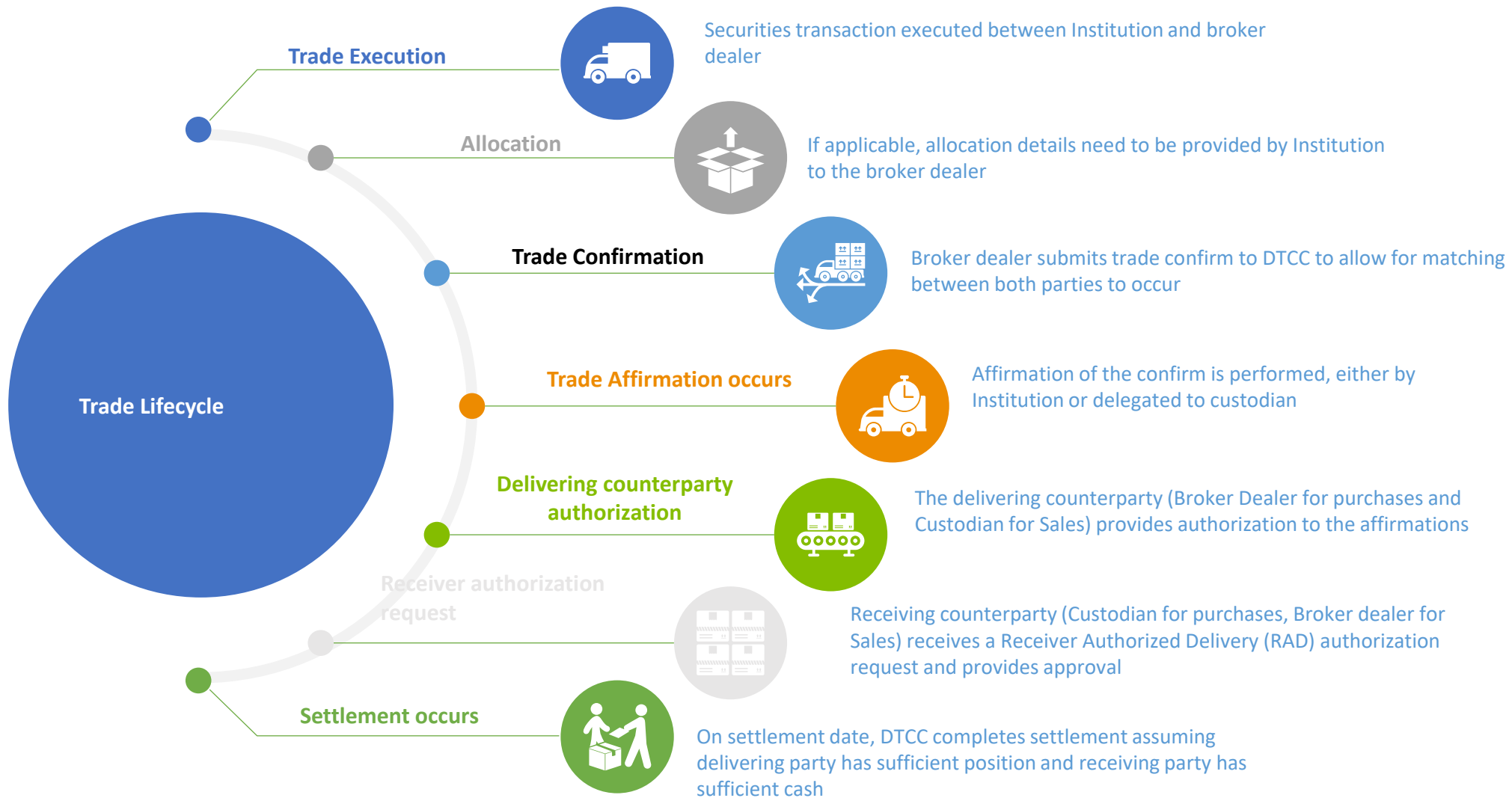
Affirmation



Internal



Let's take a concrete example





Exercice on the affirmation process

- Description of the affirmation process