SECURITIES MARKET PRACTICE GROUP

SMPG

Sell/Buy - Buy/Sell Back Settlement Market Practice

Status: Final

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Changes to previous versions (in dark blue)			
V5.0 December 2006	SR 2007	SR 2007 impact on MP.	All
V6.1 March, 2013	SR 2013	Reshuffle into new SMPG template Addition of Financing Information: Rate & Cost. Clarification on a pair off of a SBBK/BSBK	All

I.   SCOPE AND DEFINITION:

The scope of this document is to define and illustrate the use of ISO 15022/ISO 20022 formats for the settlement of a sell/buy-buy/sell back transaction and the further (if necessary) capture of financing data for subsequent financial reporting.

Buy/sell-back or sell/buy-back are transactions, which consist of a simultaneous matching purchase and sale of the same quantity of the same securities for different value dates - spot and forward. These transactions are not specifically repo, but have the same effect and intent (*Glossary of Financial Market Terminology: Prebon Group Limited*).

This operation implies a change of beneficial ownership. If there is no change of beneficial ownership, the operation is called a repo.

It is also to be noted that the SMPG will discuss in the future the possibility to harmonize all opening-closing settlement processes such as buy-sell back, securities lending/borrowing and repo transactions.

II.   ACTORS AND ROLES

There are potentially three actors involved in this process:

- **Instructing Party** - The party executing the transaction and responsible for relaying the instructions to the recipient.

  Typically the Investment Manager.

- **Recipient of the message (Custody)** - The party responsible for custody of the transaction and who must settle the transaction.

  Typically the Global Custodian or Prime Broker.

- **Recipient of the message (Accounting)** - The party responsible for the Accounting and subsequent Financial Reporting of the financing cost. Many times the Custody & Accounting party are the same institution.

  Typically also the Global Custodian, but might be an Accounting Agent / Servicer or the Client in which case they would need a copy of the message.

III.   ACTIVITY DIAGRAM

NA – See ISO Illustrations

IV.   SEQUENCE DIAGRAMS

NA – See ISO Illustrations

V.   BUSINESS DATA REQUIREMENTS

MANDATORY:

Trade Date

Settlement Date

Security ID

Link Tag

Amount of Instrument

Settlement Indicator (SBBK/BSBK)

Buyer / Seller

Delivering / Receiving Agent

PSET

Settlement Amount

OPTIONAL – If you want to report the Financing Information (in addition to above).

Financing Rate

Financing Cost

CONDITIONAL – If you need to pair off a SBBK / BSBK (in addition to above).

Linkage to both opening leg & pair off trade

Settlement indicator of both SBBK/BSBK & PAIR

Pair Off Amount

Cash Party Sequence

VI. **Market Practice Rules**

It is very similar to the Two messages Repo market practice.

Seller and buyer will release the **message types corresponding to movement of the securities** they are instructing. The same rule applies for cancellation/replacement process and the settlement confirmations. There is a need to be consistent with the use of the message types.

Both messages do NOT need to be released at the same time. The second message and following MUST be **linked to the opening leg**.

A. Opening / Closing:

1. Instruction:
-   A sell/buy back transaction will be identified by using the IS0 15022 Sequence E field **22F indicator SETR//SBBK** or the ISO 20022 **SecuritiesTransactionType/Code/SBBK**. The direction of the securities (delivery or receive) will indicate if it is the sell (opening) or the buy back (closing) operation.
-   A buy/sell back transaction will be identified by using the ISO 15022 Sequence E field **22F indicator SETR//BSBK** or the ISO 20022 **SecuritiesTransactionType/Code/SBBK**. The direction of the securities (receive or delivery) will indicate if it is the buy (opening) or the sell back (closing) operation.

2. Amendments:

For amendments, a corresponding cancellation and replacement is to be sent. This only if amendment is possible (eg, amending the settlement date of the opening leg when already settled is of course not possible).

3. Settlement Confirmation:
-   The corresponding confirmation message is to be sent (in ISO 15022 MT544 for confirmation of a MT540, MT545 for MT541, MT546 for MT542 and MT547 for MT543 and in ISO 20022 sese.035 for confirmation of a sese.033).
-   Linkage to the original instruction (with qualifier RELA) is mandatory.

B. Financing Rate & Cost: Optional

1. Instruction:
-   A sell/buy back transaction will have a financing rate which derives the financing cost in a sell buy back and buy sell back transaction.
-   The financing Rate will be identified by using ISO 15022 Sequence **D field 92A REPO** or ISO 20022 Securities Financing Details/Repurchase Rate
-   The financing Cost will be identified by using ISO 15022 Sequence **D field 19A REPP** or ISO 20022.

2. Usage:
-   The rate can be passed on either or both legs of the sell buy back / buy sell back.
-   The cost should only be passed on the off leg of a sell buy back (MT541 SBBK/sese.033).
-   Reporting the cost on both legs may not be possible or cause duplication by the party performing the financial reporting.
-   Reporting the cost on a buy sell back is possible if a party determines it's necessary, but does not appear to be in scope for financial reporting.
-   The cost is a nominal value which does not affect the net settlement amount; it is used strictly for financial reporting.
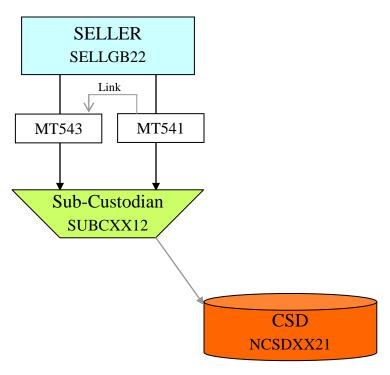
- A sell buy back (SBBK) transaction yields a financing cost. The rate and cost will be reported as a positive value when the financing rate is positive. If the financing rate is negative, then the rate and cost will be preceded with an N to reflect a negative value.

- A buy sell back (BSBK) yields a financing gain. The rate and cost will be reported as a positive value when the financing rate is positive. If the financing rate is negative, then the rate and cost will be preceded with an N to reflect a negative value.

- The party performing the financial reporting (recipient) is responsible for the capture and further financial reporting. Any trades with the SBBK indicator should be included in the reporting, the cost can be performed by the recipient so long as the rate is present even if the cost is not provided by the sender.

3. Pair Offs

- When performing a pair off on one leg of a SBBK or BSBK to another transaction, the following usage is recommended.
- The sell buy back (SBBK) & buy sell back (BSBK) will continue to be identified using 22F indicator SETR//SBBK or SETR//BSBK
- The fact that it is also a paired off trade, identify by using **22F REPT//PAIR**
- Identify the link tag of the **SBBK or BSBK with 20C PREV**
- Identify the link tag of the **PAIR with 20C RELA**

VII. ISO 15022 ILLUSTRATIONS

1. Opening (SBBK):

SELLGB22 MT543 to SUBCXX12	
:16R:GENL	
:20C::SEME//SELLINSTR123	**Message reference**
:23G:NEWM	**Function of the message**
:98A::PREP//20010305	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade Date**
:98A::SETT//20010308	**Settlement date** of the opening leg
:35B:ISIN XX0000294034	**Securities ISIN**
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	**Quantity of securities**
:97A::SAFE//111111111	**Safekeeping account**
:16S:FIAC	
:16R:SETDET	
:22F::SETR//SBBK	**Identification of the sell/buy - buy/sell back transaction**
:16R:SETPRTY	
:95P::BUYR//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::REAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9900000,	**Settlement amount** of the opening

:16S:AMT
:16S:SETDET

(leg)

2. Closing (SBBK):

SELLGB22 MT541 to SUBCXX12	
:16R:GENL	
:20C::SEME//BUYBACK123	
:23G:NEWM	
:98A::PREP//20010305	
:16R:LINK	
:20C::PREV//SELLINSTR123	**Link to the opening leg** (SEME) reference
:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade date**
:98A::SETT//20010315	**Settlement date** (closing date)
:35B:ISIN XX0000294034	
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	
:97A::SAFE//111111111	
:16S:FIAC	
:16R:REPO	
:92A::REPO//0,2	Financing Rate
:19A::REPP//EUR385,	Financing Cost
16S:REPO	
:16R:SETDET	
:22F::SETR//SBBK	**Identification of the sell/buy – buy/sell back transaction**
:16R:SETPRTY	
:95P::SELL//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::DEAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9900385,	**Settlement amount**
:16S:AMT	
:16S:SETDET	

3. Closing (SBBK): if it also happens to be a pair off.

SELLGB22 MT541 to SUBCXX12
:16R:GENL
:20C::SEME//BUYBACK123
:23G:NEWM
:98A::PREP//20010305
:16R:LINK

:20C::PREV//SELLINSTR123	**Link to the opening leg** (SEME) reference
:16S:LINK	
:16R::LINK	
:20C::RELA//PAIRINSTR123	**Link to the Pair Off trade**
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade date**
:98A::SETT//20010315	**Settlement date** (closing date)
:35B:ISIN XX0000294034	
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	
:97A::SAFE//111111111	
:16S:FIAC	
:16R:REPO	
:92A::REPO//0,2	**Financing Rate**
:19A::REPP//EUR385,	**Financing Cost**
:16S:REPO	
:16R:SETDET	
:22F::SETR//SBBK	**Identification of the sell/buy - buy/sell back transaction**
:22F::REPT//PAIR	**Trade is also a Pair Off**
:16R:SETPRTY	
:95P::SELL//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::DEAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:CSHPRTY	**Cash Party Sequence**
:95P::PAYE//XXXXXXXX	
:16S:CSHPRTY	
16R:AMT	
:19A::SETT//EUR9900385,	**Settlement amount**
:16S:AMT	
:16R:AMT	
:19A::ANTO//EUR500,	**Pair Off Amount**
:16S:SETDET	

4. Opening (SBBK), Negative Rate:

SELLGB22 MT543 to SUBCXX12	
:16R:GENL	
:20C::SEME//SELLINSTR123	**Message reference**
:23G:NEWM	**Function of the message**
:98A::PREP//20010305	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade Date**

:98A::SETT//20010308	**Settlement date** of the opening leg
:35B:ISIN XX0000294034	**Securities ISIN**
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	**Quantity of securities**
:97A::SAFE//111111111	**Safekeeping account**
:16S:FIAC	
:16R:SETDET	
:22F::SETR//SBBK	**Identification of the sell/buy - buy/sell back transaction**
:16R:SETPRTY	
:95P::BUYR//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::REAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9900000,	**Settlement amount** of the opening leg
:16S:AMT	
:16S:SETDET	

5. <u>Closing (SBBK), Negative Rate:</u>

SELLGB22 MT541 to SUBCXX12	
:16R:GENL	
:20C::SEME//BUYBACK123	
:23G:NEWM	
:98A::PREP//20010305	
:16R:LINK	
:20C::PREV//SELLINSTR123	**Link to the opening leg** (SEME) reference
:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade date**
:98A::SETT//20010315	**Settlement date** (closing date)
:35B:ISIN XX0000294034	
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	
:97A::SAFE//111111111	
:16S:FIAC	
:16R:REPO	
:92A::REPO//N0,2	Financing Rate
:19A::REPP//NEUR385,	Financing Cost
16S:REPO	
:16R:SETDET	
:22F::SETR//SBBK	**Identification of the sell/buy – buy/sell back transaction**
:16R:SETPRTY	
:95P::SELL//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	

:95P::DEAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9899615,	**Settlement amount**
:16S:AMT	
:16S:SETDET	

6. Opening (BSBK):

SELLGB22 MT541 to SUBCXX12	
:16R:GENL	
:20C::SEME//SELLINSTR123	**Message reference**
:23G:NEWM	**Function of the message**
:98A::PREP//20010305	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade Date**
:98A::SETT//20010308	**Settlement date** of the opening leg
:35B:ISIN XX0000294034	**Securities ISIN**
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	**Quantity of securities**
:97A::SAFE//111111111	**Safekeeping account**
:16S:FIAC	
:16R:SETDET	
:22F::SETR//BSBK	**Identification of the sell/buy - buy/sell back transaction**
:16R:SETPRTY	
:95P::SELL//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::DEAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9900000,	**Settlement amount** of the opening leg
:16S:AMT	
:16S:SETDET	

7. Closing (BSBK):

SELLGB22 MT543 to SUBCXX12	
:16R:GENL	
:20C::SEME//BUYBACK123	
:23G:NEWM	
:98A::PREP//20010305	
:16R:LINK	
:20C::PREV//SELLINSTR123	**Link to the opening leg** (SEME) reference

:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade date**
:98A::SETT//20010315	**Settlement date** (closing date)
:35B:ISIN XX0000294034	
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	
:97A::SAFE//111111111	
:16S:FIAC	
:16R:REPO	
:92A::REPO//0,2	Financing Rate
:19A::REPP//EUR385,	Financing Cost
16S:REPO	
:16R:SETDET	
:22F::SETR//BSBK	**Identification of the sell/buy – buy/sell back transaction**
:16R:SETPRTY	
:95P::BUYR//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::REAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9900385,	**Settlement amount**
:16S:AMT	
:16S:SETDET	

8. <u>Opening (BSBK), Negative Rate:</u>

SELLGB22 MT541 to SUBCXX12	
:16R:GENL	
:20C::SEME//SELLINSTR123	**Message reference**
:23G:NEWM	**Function of the message**
:98A::PREP//20010305	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade Date**
:98A::SETT//20010308	**Settlement date** of the opening leg
:35B:ISIN XX0000294034	**Securities ISIN**
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	**Quantity of securities**
:97A::SAFE//111111111	**Safekeeping account**
:16S:FIAC	
:16R:SETDET	
:22F::SETR//BSBK	**Identification of the sell/buy - buy/sell back transaction**
:16R:SETPRTY	
:95P::SELL//BUYRGB22	

:16S:SETPRTY	
:16R:SETPRTY	
:95P::DEAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9900000,	**Settlement amount** of the opening leg
:16S:AMT	
:16S:SETDET	

9. <u>Closing (BSBK), Negative Rate:</u>

SELLGB22 MT543 to SUBCXX12	
:16R:GENL	
:20C::SEME//BUYBACK123	
:23G:NEWM	
:98A::PREP//20010305	
:16R:LINK	
:20C::PREV//SELLINSTR123	**Link to the opening leg** (SEME) reference
:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20010305	**Trade date**
:98A::SETT//20010315	**Settlement date** (closing date)
:35B:ISIN XX0000294034	
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//FAMT/100050000,	
:97A::SAFE//111111111	
:16S:FIAC	
:16R:REPO	
:92A::REPO//N0,2	Financing Rate
:19A::REPP//NEUR385,	Financing Cost
16S:REPO	
:16R:SETDET	
:22F::SETR//BSBK	**Identification of the sell/buy – buy/sell back transaction**
:16R:SETPRTY	
:95P::BUYR//BUYRGB22	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::REAG//SUBCYY34	
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//NCSDXX21	
:16S:SETPRTY	
:16R:AMT	
:19A::SETT//EUR9899615,	**Settlement amount**
:16S:AMT	
:16S:SETDET	

VIII. ISO 20022 ILLUSTRATIONS