SETTLEMENT AND ISO 15022 STANDARDS:

BRAZIL

MARKET PRACTICE

Issued on behalf of the Brazilian Market Practice Group

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Brazilian Market Practice Templates for Settlement

1 Introduction

This document contains the templates of the BR Market Practice for settlement of equity and fixed income trades. It has been produced by a committee of global institutions (broker dealers, IM and global custodians) and reviewed by the Brazilian National Market Practice Group organized under the National Association of Investment Bank - ANBID.

Changes to previous version			
Version 4.1 July 2006	Deletion	Deletion of an outdated note regarding a may 2005 implementation.	Page 2
	Rewording	Rewording of DIRT and CLEN information.	Page 3
	Addition	BR Market Practice for MT 535, MT 536.	Page 9

2 The Needed Elements

BR Business element name	Data Content Format	
Sender's Message Reference	16x	
Settlement Date	8!n	
Trade Date	8!n	
Identification of Financial Instrument	ISIN1!e12!c	(1)
Quantity of Financial Instrument to be settled	4!c/15d with 4!c = UNIT	
Safekeeping account to be credited or debited	35x	
Delivering or Receiving agent	BIC (2)	
Client of Delivering or Receiving agent	BIC (3)	
Place of settlement	BIC (4)	
Settlement Amount (including currency)	3!a15d	

2.1   Specifics

To settle equities or fixed income securities in the BR market the Common List of Data Elements needs to be used, with:

1. A description may be supplied with the ISIN if necessary, variable length 4*35x.
2. The Delivering or Receiving agent is to be specified by their BIC.
3. The Client of Delivering or Receiving agent can be specified by their BIC.
4. The Place of settlement

3 The Additional Elements

A further element, used in relation to CPMF tax levied on foreign exchange, may be necessary for the settlement of equities in BR. It will be depending on the servicing agreement with the Investor's service provider.
Typically Investors will have one of three account structures now outlined:

(a) A dual account structure at their global custodian and sub-custodian. In this instance the Investor will instruct the appropriate exempt or non-exempt safekeeping account.
(b) A single account at their global custodian and a dual account structure at the sub-custodian.
(c) A single account structure at their global custodian and sub-custodian, against which CPMF tax is payable on all foreign exchange transactions.

For communications <u>between the investor and the global custodian</u> in scenario (b), the Process Indicator is used where an Investor's agreement with their service provider is to flag if their transaction is exempted, or not, from CPMF tax.

· Sequence E :22F::STCO//CLEN is to be used when the transaction is tax-exempt. In scenario (b), this will typically lead to the booking of the shares in an exempt safekeeping account.
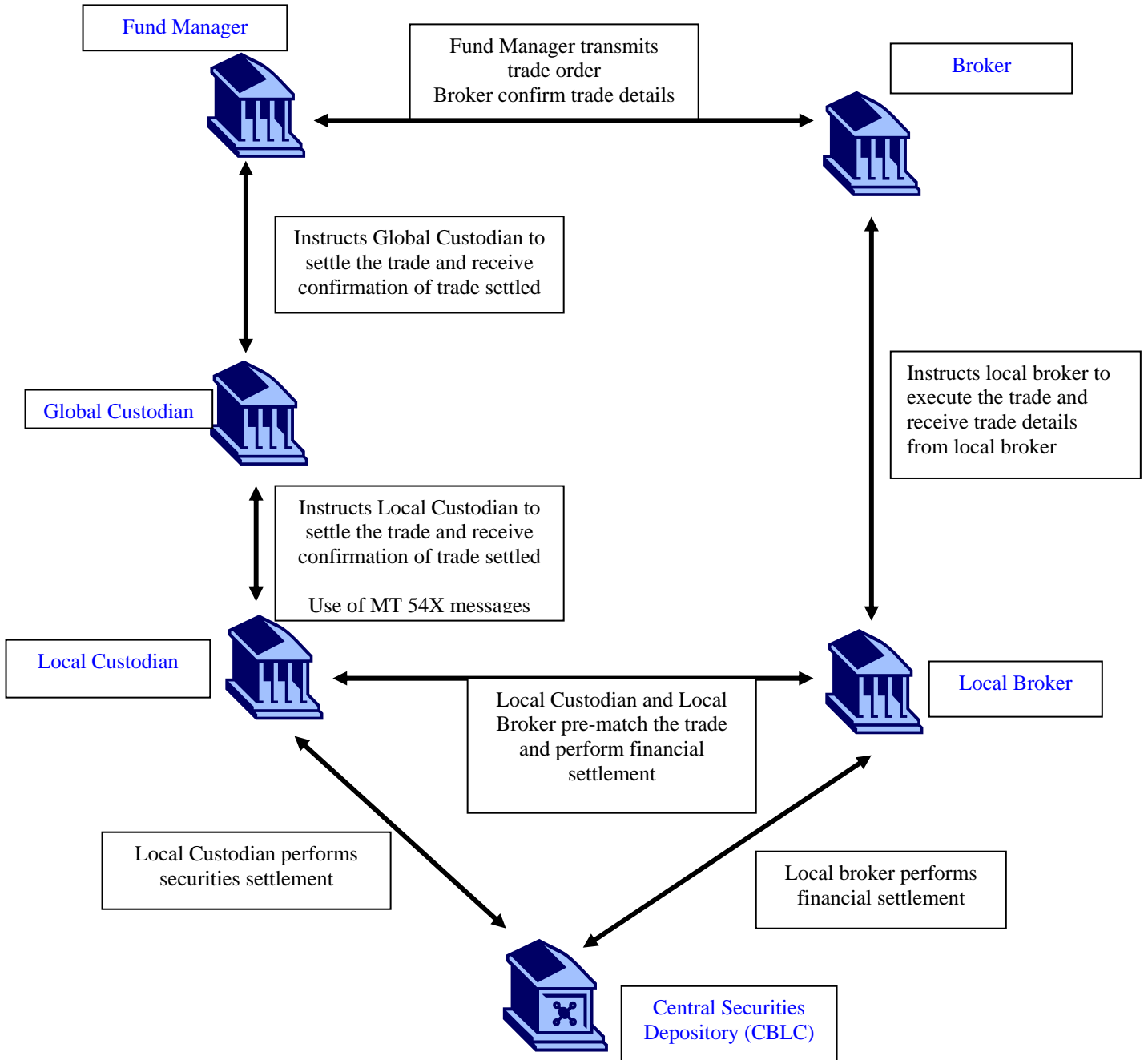 Or
· Sequence E :22F::STCO//DIRT is to be used when the transaction is taxable. In scenario (b), this will typically lead to the booking of the shares in a non-exempt safekeeping account.

A default value may be agreed on one of the two tax status, making it necessary to instruct a status only when it is different from the agreed default value.

In terms of reporting, the use of these standard codes also allows the reporting in the MT535 of CLEN and DIRT sub-balances (Subsequence B1a, field 93C), if necessary.

4   Domestic Generic Flow (Equities)

Fund Manager

Fund Manager transmits
trade order
Broker confirm trade details

Broker

Instructs Global Custodian to
settle the trade and receive
confirmation of trade settled

Instructs local broker to
execute the trade and
receive trade details
from local broker

Global Custodian

Instructs Local Custodian to
settle the trade and receive
confirmation of trade settled

Use of MT 54X messages

Local Custodian

Local Custodian and Local
Broker pre-match the trade
and perform financial
settlement

Local Broker

Local Custodian performs
securities settlement

Local broker performs
financial settlement

**Central Securities
Depository (CBLC)**

4.1 Illustration of the common elements used :

- Securities used: BR0123456789
- Parties and safekeeping accounts relationships as follows :

fund manager	FMXXCC22	fictional Bank Identifier Code (BIC)
	ABCD	fictional account with its global custodian
global custodian	GCXXDD22	fictional Bank Identifier Code (BIC)
	A1B2	fictional account with its subcustodian/local agent
subcustodian/local agent of the global custodian (1)	SCXXAR22	fictional Bank Identifier Code (BIC)
	21354	fictional account with the central securities depository
local broker	SCYYAR22 Or ABCDEFGHIJK	fictional Bank Identifier Code (BIC) name of the local broker
	88888	fictional account with the central securities depository

- Trade Date is: 01 March 2005
- Settlement Date is: 04 March 2005
- Settlement amount is: BRL300000,
- Sender's Reference is: 21324

Equities

Detailed Field Name	Data Field Content	Example
Start of block	GENL	:16R:GENL
Sender's Reference	16x	:20C::SEME//21324
Function of the message	4!c	:23G:NEWM
End of block	GENL	:16S:GENL
Start of block	TRADDET	:16R:TRADDET
Settlement Date	8!n	:98A::SETT//20050304
Trade Date	8!n	:98A::TRAD//20050301
Identification of the Financial Instruments	ISIN1!e12!c	:35B:ISIN BR0123456789
End of block	TRADDET	:16S:TRADDET
Start of block	FIAC	:16R:FIAC
Quantity of Financial Instrument	4!c/15d	:36B::SETT//xxxx/15000,
Safekeeping Account	35x	:97A::SAFE//xxxxxxxxx
End of block	FIAC	:16S:FIAC
Start of block	SETDET	:16R:SETDET
Settlement Transaction Type Indicator	1!a	:22F::SETR//TRAD
IDENTIFICATION OF PARTIES OF ACCOUNTS	WILL VARY	ACCORDING TO THE SETTLEMENT CHAIN
Start of block	AMT	:16R:AMT
Settlement amount	3!c15d	:19A::SETT//BRL300000,
End of block	AMT	:16S:AMT
End of block	SETDET	:16S:SETDET

Fixed Income

Detailed Field Name	Data Field Content	Example
Start of block	GENL	:16R:GENL
Sender's Reference	16x	:20C::SEME//21324
Function of the message	4!c	:23G:NEWM
End of block	GENL	:16S:GENL
Start of block	TRADDET	:16R:TRADDET
Settlement Date	8!n	:98A::SETT//20050304
Trade Date	8!n	:98A::TRAD//20050301
Deal price	4!c//4!c/3!a15d	:90A::DEAL//ACTU/BRL1234,
Identification of the Financial Instruments	ISIN1!e12!c	:35B:ISIN BR0123456789
Narrative (Original Purchase Date of the position sold).	4!c//10*35x	:70E::SPRO//PURCHASE DATE 20050309
End of block	TRADDET	:16S:TRADDET
Start of block	FIAC	:16R:FIAC
Quantity of Financial Instrument	4!c/15d	:36B::SETT//xxxx/15000,
Safekeeping Account	35x	:97A::SAFE//xxxxxxxxx
End of block	FIAC	:16S:FIAC
Start of block	SETDET	:16R:SETDET
Settlement Transaction Type Indicator	1!a	:22F::SETR//TRAD
IDENTIFICATION OF PARTIES OF ACCOUNTS	WILL VARY	ACCORDING TO THE SETTLEMENT CHAIN
Start of block	AMT	:16R:AMT
Settlement amount	3!c15d	:19A::SETT//BRL300000,
End of block	AMT	:16S:AMT
End of block	SETDET	:16S:SETDET

Settlement Chain should at least contain:

Delivering or Receiving agent Local Broker (currently in use)	BIC.
Client of Delivering or Receiving agent Investor's Investment Manager (May'05)	BIC.
Place of settlement Clearing House (May'05)	BIC

Example:

Start of block	SETPRTY	:16S:SETPRTY
Party (Delivering agent)	BIC	:95P::DEAG//SCYYAR22
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Party (Seller)	BIC or NAME	:95P::SELL//BRYYCC22 or :95Q::ABCDEFGH
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Place of settlement	BIC	:95P::PSET//CLCBBRRJ
End of block	SETPRTY	:16S:SETPRTY

5 Extension to Settlement Confirmation, Partial Settlement, Free of Payment Transaction

The set of common elements can also be used for settlement confirmation, partial settlement and free of payment transaction with the following differences:

5.1 Free of payments

Free of payment instruction contains the same elements as for the against payment transaction except for the elements pertaining to the settlement amounts. The settlement amount(s) is not required.

5.2 Confirms and partial settlements

The Settlement confirmation – whether it is a free of payment or an against payment transaction – should contain the same elements as the original instruction

PLUS:
- The reference to the original settlement instruction that was received. This is done using the Linkage Block and the qualifier 20C::RELA//16x

EXCEPT:
- The settlement date given in the confirmation is the effective settlement date (which might differ from the instructed settlement date as stated in the instruction). This translates in ISO 15022 messages by using the qualifier ESET rather than SETT as qualifier for the date field 98a.
- The quantity of financial instrument in the confirmation is the effective settled quantity. This translates in ISO 15022 messages by using the qualifier ESTT rather than SETT as qualifier for the quantity of financial instrument field 36B.
- The settlement amount given in the confirmation is the effective settlement amount. This translates in ISO 15022 messages by using the qualifier ESTT rather than SETT as qualifier for the amount field 19A.
- In case of partial confirmations, the quantity of securities delivered is reported in field 36 B using the qualifier ESTT and the pending quantity of securities is reported in the field 36 B using the qualifier RSTT.

6 Market Practice Templates for Statement of Holdings MT 535

6.1 Introduction

This document contains the templates of the BR Market Practice for Statement of Holdings for equities, fixed income and securities lending related instruments. It has been produced by the Brazilian National Market Practice Group organized under the National Association of Investment Bank - ANBID.

All the fields listed below are used by the Brazilian market unless otherwise stated.

Common mandatory business elements:

Common mandatory elements	Field	Detailed usage	Comments NMPG Brazil	M/C/O
Start of general sequence A	:16R:GENL			

Page number/ Continuation indicator	:28E:5n/4!c	▪ Page number (5n) from 00001 to 99999
		▪ Continuation indicator:
		  - ONLY if only one page.
		  - MORE if more page to come.
		  - LAST if last page.
				M

Sender's reference	:20C::SEME//16x	Must be a unique reference per message.		M
Function of the message	:23G:4!c[/4!c]	▪ NEWM for new statement. ▪ CANC to cancel a previously sent statement. If :23G:CANC is used, a linkage sequence A1 must be used to identify the reference[1] of the message to be cancelled (:20C::PREV//16x).		M
Statement date and time	:98C::STAT//8!n6!n	▪ Sender's local time.	▪ Local market practice admits the use of option A (98 A)	M
Statement frequency indicator	:22F::SFRE/[8c]/4!c		▪ Market standard is to use the indicator DAIL, WEEK or MNTH.	M
Complete/Updates report indicator	:22F::CODE//COMP or DELT		▪ Market standard is the use of indicator COMP	M
Statement type	:22F::STTY//CUST			M
Statement basis	:22F::STBA//xxxx	. • TRAD: traded basis • SETT: settled basis • CONT: contractual basis		M

Common mandatory elements	Field	Detailed usage	Comments NMPG Brazil	M/C/O
Account	:97a::SAFE	The account should be a real account (no narrative, no institution names).	▪ At the discretion of local custodian, the local custodians reports clients' internal account at local custodian or client's account at the local depository.	M
Activity flag (sequence A)	:17B::ACTI//Y or N			M
Sub-Safekeeping Statement	:17B::CONS//Y or N		▪ Market standard is N	M
End of general sequence A	:16S:GENL			
Start of sub-safekeeping a/c seq. B	:16R:SUBSAFE			
Sub-Account	*:97a::SAFE/*			C
Activity flag (sequence B)	*:17B::ACTI//*			C
Start of Financial instr. subseq. B1	:16R:FIN			
Identification of the financial inst.	:35B:[ISIN1!e12!c][4*35x]		▪ When the ISIN is not available, local players report the full name of the asset in this field. Optionally, an internal asset code may be provided.	M
Aggregate balance	:93B::AGGR/[8c]/4!c/[N]15d			M
End of Financial instr. subseq. B1	:16S:FIN			
End of sub-safekeeping a/c seq. B	:16S:SUBSAFE			

Optional business elements:

Common optional elements	Field or sequence	Detailed usage	Comments NMPG Brazil	M/C/O
Start of general sequence A	:16R:GENL			
Statement number	:13a::STAT//			O
Preparation date and time	:98C::PREP//8!n6!n		▪ Market standard is option A (98 A)	O
~~Start of linkage sequence A1~~	~~:16R:LINK~~			
~~Number identification~~	~~:13A::LINK//549~~ ~~:13A::LINK//535~~		▪ Brazilian market does not use MT 549	*O*
~~Reference~~	~~:20C::RELA//16x~~ ~~:20C::PREV//16x~~		▪ Brazilian market does not use MT 549	C
~~End of linkage sequence A1~~	~~:16S:LINK~~			
End of general sequence A	:16S:GENL			
Start of sub-safekeeping a/c seq. B	:16R:SUBSAFE			
~~Place of safekeeping~~	~~:94F or C::SAFE/~~	• ~~Place of safekeeping must be a BIC.~~ • ~~With the place of safekeeping field at Sequence B level, it is possible to report holdings per place of safekeeping. For more details on the usage of this field~~	The use of this field is not a market practice.	
Start of Financial instr. subseq. B1	:16R:FIN			
Price	:90a::INDC or MRKT		Market practice is to use: :90b::MRKT//ACTU/BRL xx.xx	O
Source of price	:94B::PRIC/[8c]/4!c[/30x]			O
~~Price quotation date and time~~	~~:98a::PRIC//4!c//8!n[6!n]~~		The use of this field is not a market practice.	O
~~Number of days accrued~~	~~:99A::DAAC//[N]3!n~~		The use of this field is not a market practice.	O
~~Accrued interest amount~~	~~:19A::ACRU//[N]3!a15d~~		The use of this field is not a market practice.	O
Exchange rate	:92B::EXCH//3!a/3!a/15d			O
Available balance	:93B::AVAI/[8c]/4!c/[N]15d			O
Not Available balance	:93B::NAVL/[8c]/4!c/[N]15d			O
~~Conditionally available balance~~	~~:93B::CAVL/[8c]/4!c/[N]15d~~		Not applicable to Brazil	O

Common optional elements	Field or sequence	Detailed usage	Comments NMPG Brazil	M/C/O
End of Financial instr. subseq. B1	:16S:FIN			
Start of Sub-balance. B1a	:16R:SUBBAL			
Date	:98a::MATU or ISSU/4!c//8!n		This field is only used when reporting a Fixed Income Instrument	O
End of Sub-balance B1a	:16R:FIN			
Start of Sub-balance. B1b	:16R:SUBBAL			
Balance	:93B or C::4!c//		• Brazilian market uses the qualifiers: BLOK, COLO, MARG, BORR, LOAN, PECA and TAVI (Settled Basis). • For Traded Basis messages, it is also used PEND and PENR.	O
Available balance	:93B::AVAI/[8c]/4!c/[N]15d			O
Not Available balance	:93B::NAVL/[8c]/4!c/[N]15d			O
Place of safekeeping	:94F or C::SAFE/	Place of safekeeping must be a BIC.		O
Source of price	:94B::PRIC/[8c]/4!c[/30x]			O
Price	:90a::INDC or MRKT			O
Price quotation date and time	:98a::PRIC//4!c//8!n[6!n]			O
~~Number of days accrued~~	~~:99A::DAAC//[N]3!n~~		The use of this field is not a market practice.	O
~~Accrued interest amount~~	~~:19A::ACRU//[N]3!a15d~~		The use of this field is not a market practice.	O
Exchange rate	:92B::EXCH//3!a/3!a/15d			O
End of Financial instr. subseq. B1	:16S:SUBBAL			
End of sub-safekeeping a/c seq. B	:16S:SUBSAFE			

Brazilian Market also uses Sequence C – Field 19A

7 Brazilian Market Practice Templates for Statement of Transactions

7.1 Introduction

This document contains the templates of the BR Market Practice for Statement of Transactions for equities, fixed income and securities lending related instruments. It has been produced by the Brazilian National Market Practice Group organized under the National Association of Investment Bank - ANBID.

All the fields listed below are used by the Brazilian market unless otherwise stated.

Common Business Elements:

Common Elements	Field	Detailed usage	Observation
Start of general sequence A	:16R:GENL		
Page number/ Continuation indicator	:28E:5n/4!c		
Sender's reference	:20C::SEME//16x		
Function of the message	:23G:4!c[/4!c]		
Statement period	:69a::STAT//		
Statement frequency indicator	:22F::SFRE/[8c]/4!c		It is also used the qualifier SFRE with the codes ADHO / DAIL / WEEK / MNTH
Complete/Updates report indicator	:22F::CODE/[8c]/4!c		It is market standard to use the code COMP.
Account	:97a::SAFE/	The account should be a real account (no narrative nor institution names).	
Activity flag	:17B::ACTI//		It is always "Y"
Sub-account statement flag	:17B::CONS//		

End of general sequence A	:16S:GENL		
~~Start of sub-safekeeping a/c seq. B~~	~~:16R:SUBSAFE~~		
~~Sub Account~~	*~~:97a::SAFE/~~*		This field is not used in Brazil
~~Activity flag (sequence B)~~	*~~:17B::ACTI//~~*		This field is not used in Brazil
Start of Financial instr. subseq. B1	:16R:FIN		
Identification of the financial inst.	:35B:[ISIN1!e12!c][4*35 x]	ISIN is the preferred format.	When the ISIN is not available, local players report the full name of the asset in this field. Optionally, a internal asset code may be provided.
Start of Transaction subseq. B1a	:16R:TRAN		
Start of Linkage subseq. B1a1	:16R:LINK		
Reference to each reported transaction (linkage sequence)	:20C::RELA//16x		It is also used with the qualifier PREV.
End of Linkage subseq. B1a1	:16R:LINK		
Start of Tran details subseq. B1a2	:16R:TRANSDET		
Posting quantity	:36B::PSTA//4!c/15d		
Posting amount (if vs. payment)	:19A::PSTA//[N]3!a15d		
Transaction indicator	:22F::TRAN/[8c]/4!c		
Type of Settlement Transaction	:22F::SETR/[8c]/4!c		It is used in the Brazilian market with the codes TRAD and OWNE In case of Securities Lending and Borrowing: :22F::SETR/**SECL** – when lending securities :22F::SETR/**SECB** – when borrowing securities

			In case of ADRs: :22F::SETR/**CONV** – conversions of ADRs into shares :22F::SETR/**ISSU** – conversions of shares into ADRs
Corporate Action Event Indicator	:22F::CAEV/[8c]/4!c		It is used in the Brazilian market with the codes BONU, CONV, EXOF, MRGR, NAME, RHTS, SPLF, SPLR, TEND and SOFF
Settlement Transaction Condition	:22F::STCO/[8c]/4!c		It is used in the Brazilian market with the codes EXER and EXPI
Receive/Deliver indicator	:22H::REDE//4!c		
Payment indicator	:22H::PAYM//4!c		In case of Securities Lending / Borrowing and ADR Conversions: :22H::PAYM//**FREE**
Effective settlement date	:98a::ESET/		
Start of Settl. Parties subseq. B1a2a	:16R:SETPRTY		
Party identification	:95a::4!c/		Market standard is the use of qualifiers P or Q
End of Settl. Parties subseq. B1a2a	:16S:SETPRTY		
End of Tran details subseq. B1a2	:16S:TRANSDET		
End of Transaction subseq. B1a	:16S:TRAN		
End of Financial instr. subseq. B1	:16S:FIN		
End of sub-safekeeping a/c seq. B	:16S:SUBSAFE		

Optional Business Elements:

The SMPG recommends that, if used, the below optional fields be used as described in the "Detailed usage" column..

Common Elements	Field or sequence	Detailed usage	
Start of general sequence A	:16R:GENL		
Statement number	:13A::STAT//3!c		
Start of linkage sequence A1	:16R:LINK		
Reference (Linkage seq. A1)	:20C::RELA//16x		This field is not used in Brazil
Number identification	:13A::LINK//549		This field is not used in Brazil
End of linkage sequence A1	:16S:LINK		
Preparation date and time	:98C::PREP//8!n6!n		The local players may also use option A (98A)
End of general sequence A	:16S:GENL		
Start of sub-safekeeping a/c seq. B	:16R:SUBSAFE		
Start of Financial instr. subseq. B1	:16R:FIN		
Opening balance	:93B::FIOP/[8c]/4!c/[N]15d		
Closing balance	:93B::FICL/[8c]/4!c/[N]15d		
Start of Transaction subseq. B1a	:16R:TRAN		
Start of Linkage subseq. B1a1	:16R:LINK		
Account servicer reference	:20C::ASRF//16x		This field is not used in Brazil
End of Linkage subseq. B1a1	:16R:LINK		
End of Transaction subseq. B1a	:16S:TRAN		
End of Financial instr. subseq. B1	:16S:FIN		
End of sub-safekeeping a/c seq. B	:16S:SUBSAFE		

When there is a movement wrongly reported , the local market practice is to cancel the message e send a new one.