NBB-SSS
Corporate actions and DVP in foreign currencies

infosession

12/11/2019

Foreign currencies – Why?

- ◆ DVP transaction
  - ◇ CSDR recommendation (2020)
  - ◇ To take risk out of the market

- ◆ Corporate actions:
  - ◇ CMH standard 14 (2022)
  - ◇ To allow participants to reconcile cash flows with securities CA's
  - ◇ To abolish the frozen day (not market standard)
  - ◇ MT566 for coupons as well (both paying agent and investor)

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Foreign currencies – Which currencies?
In principle: all currencies the ECB publishes an exchange rate for

- US dollar
- Japanese yen
- Bulgarian lev
- Czech koruna
- Danish krone
- Pound sterling
- Hungarian forint
- Polish zloty

- Romanian leu
- Swedish krona
- Swiss franc
- Icelandic krona
- Norwegian krone
- Croatian kuna
- Russian rouble
- Turkish lira

- Australian dollar
- Brazilian real
- Canadian dollar
- Chinese yuan renminbi
- Hong Kong dollar
- Indonesian rupiah
- Israeli shekel
- Indian rupee

- South Korean won
- Mexican peso
- Malaysian ringgit
- New Zealand dollar
- Philippine piso
- Singapore dollar
- Thai baht
- South African rand

Foreign currencies – ASRF
Account servicer Reference: 16 character

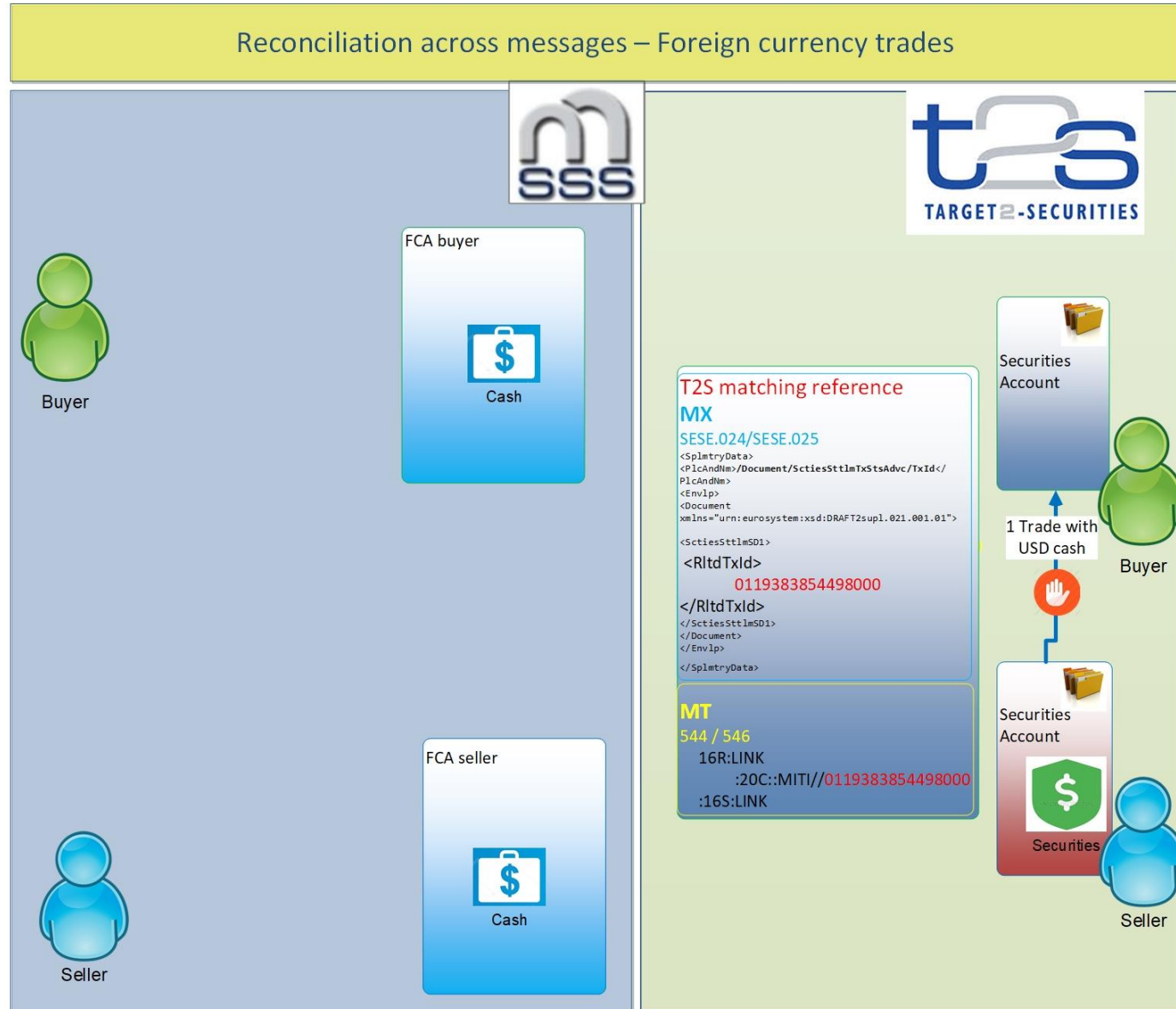| Position	Description	Example
1-10	First ten characters of the ISIN	BE63155093
11-12	Corporate Action: 00: redemption 01: coupon 1 02: coupon 2 ...	00
13-15	Sequence of creation of payment for this CA: Paying agent: 000 Investor 1 position 1: 001 Investor 1 position 2: 002 ...	002
16	Standard: 0 N-account: N	0

Foreign currencies – UETR
Unique End-to-End Transaction Reference

◆ Format: char8-char4-char4-char4-char12

◆ Allows to track the cash movement 'down the chain' though the GPI GUI

◆ Will be included in MT202s and MT566/SEEV.036 messages.

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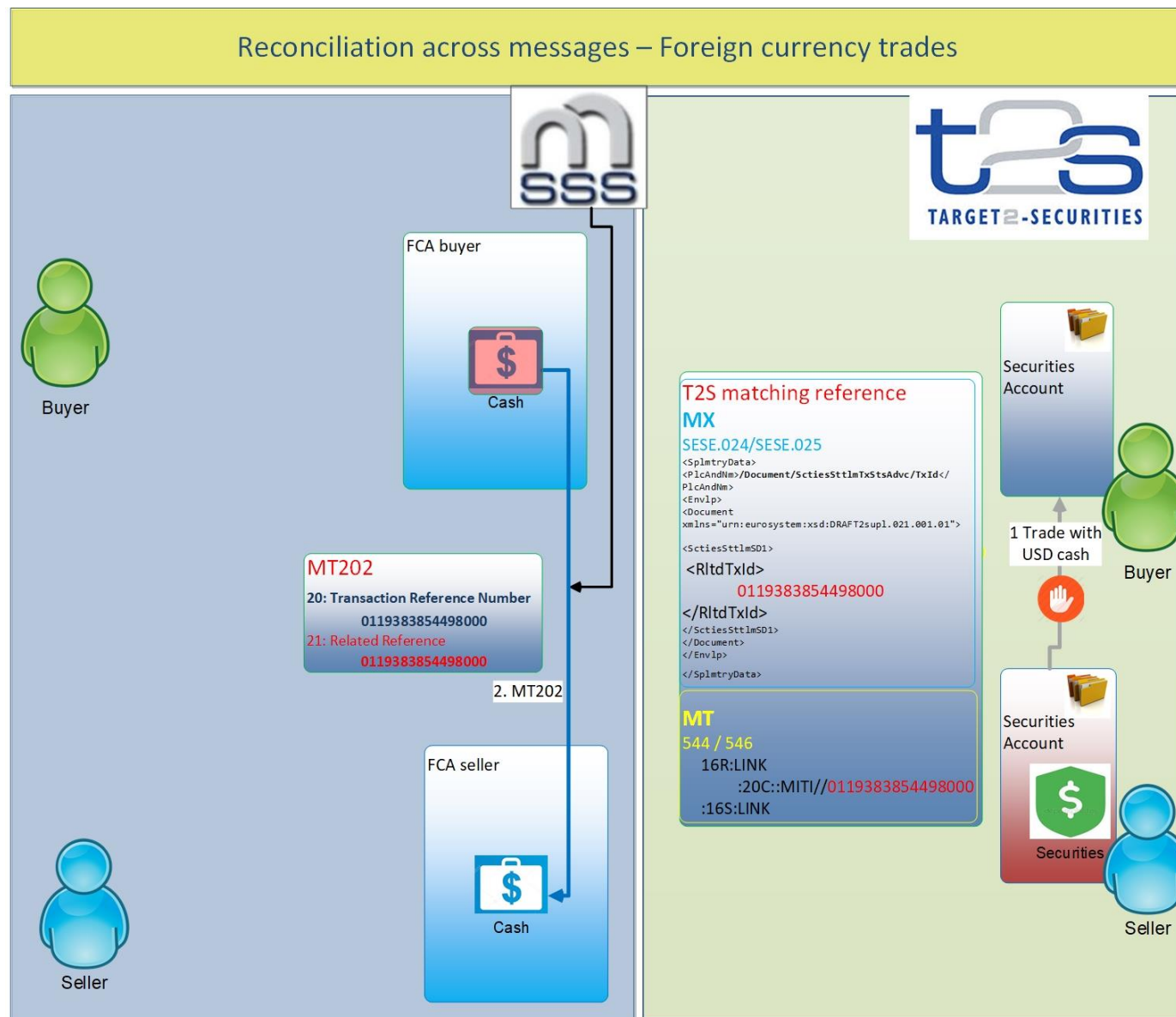Eurosystem

Foreign currencies DVP - 1

T2S matches the instructions and assigns a MITI-reference. As this is a transaction FOP with a cash part, T2S puts it on hold and informs (SEMT.014/.015) NBB-SSS of the (ongoing) reservation of securities at ISD.

The T2S matching reference is used in ISO20022 sese.024 (matching confirmation) and later in sese.025 (settlement confirmation). This reference is also present in the ISO15022 MT544/MT546 equivalents.

Reconciliation across messages – Foreign currency trades

FCA buyer
Cash

Buyer

T2S matching reference
MX
SESE.024/SESE.025
```
<SplmtryData>
<PlcAndNm>/Document/SctiesSttlmTxStsAdvc/TxId</PlcAndNm>
<Envlp>
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</RltdTxId>
</SctiesSttlmSD1>
</Document>
</Envlp>
</SplmtryData>
```

MT
544 / 546
    16R:LINK
        :20C::MITI//0119383854498000
    :16S:LINK

Securities Account

1 Trade with USD cash

Buyer

Securities Account

Securities
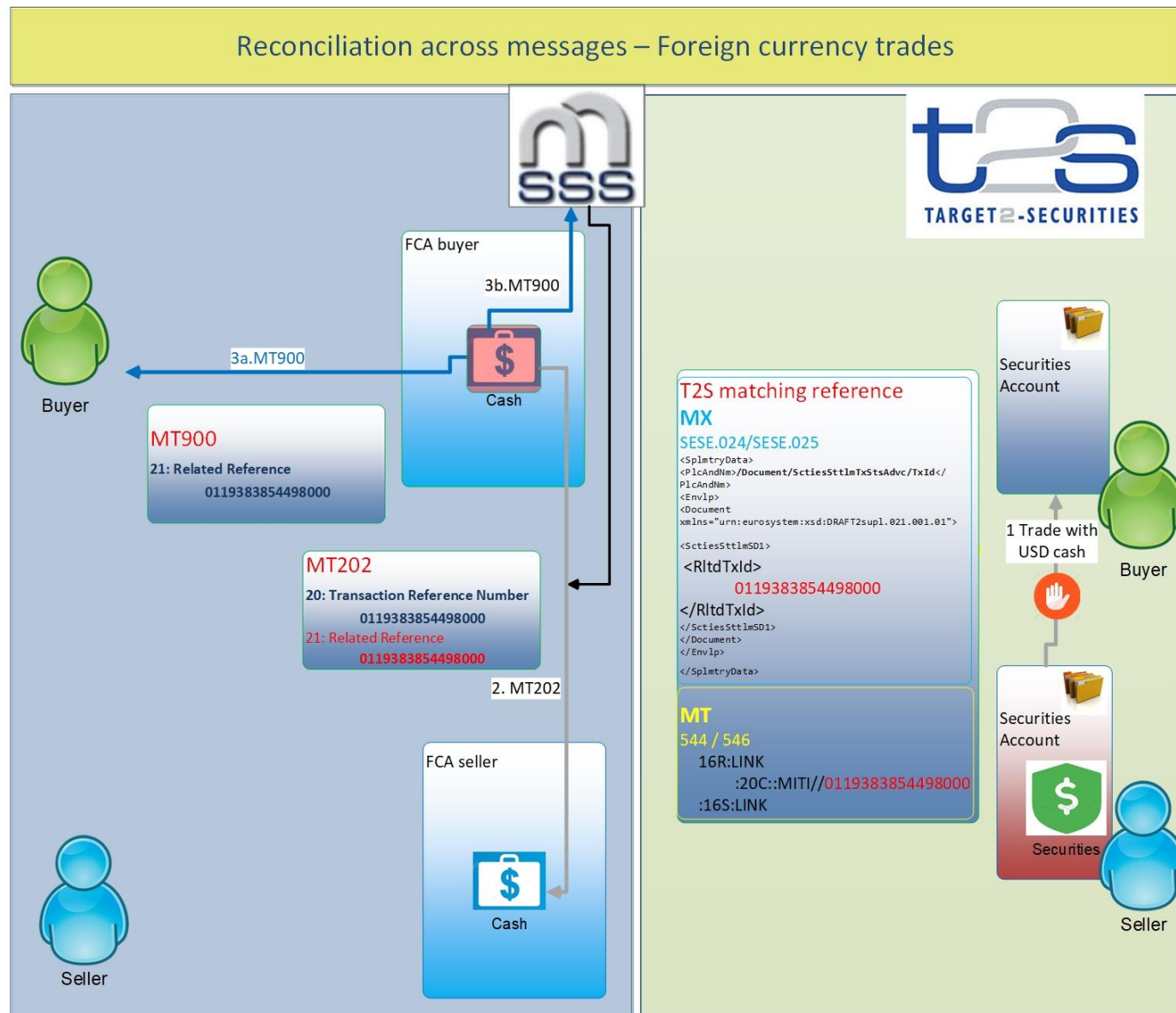
Seller

FCA seller
Cash

Seller

Foreign currencies DVP - 2

On receipt of the SEMT.015, confirming the reservation of the securities, the NBB-SSS instructs the debit of the buyer and the credit of the seller. The transfer instruction holds the T2S matching reference.

Reconciliation across messages – Foreign currency trades

FCA buyer

Cash

Buyer

MT202

20: Transaction Reference Number
0119383854498000
21: Related Reference
0119383854498000

2. MT202

FCA seller

Cash

Seller

T2S matching reference
MX
SESE.024/SESE.025
```
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</RltdTxId>
</SctiesSttlmSD1>
</Document>
</Envlp>

</SplmtryData>
```
MT
544 / 546
  16R:LINK
      :20C::MITI//0119383854498000
  :16S:LINK

Securities Account

1 Trade with USD cash

Buyer

Securities Account

Securities

Seller

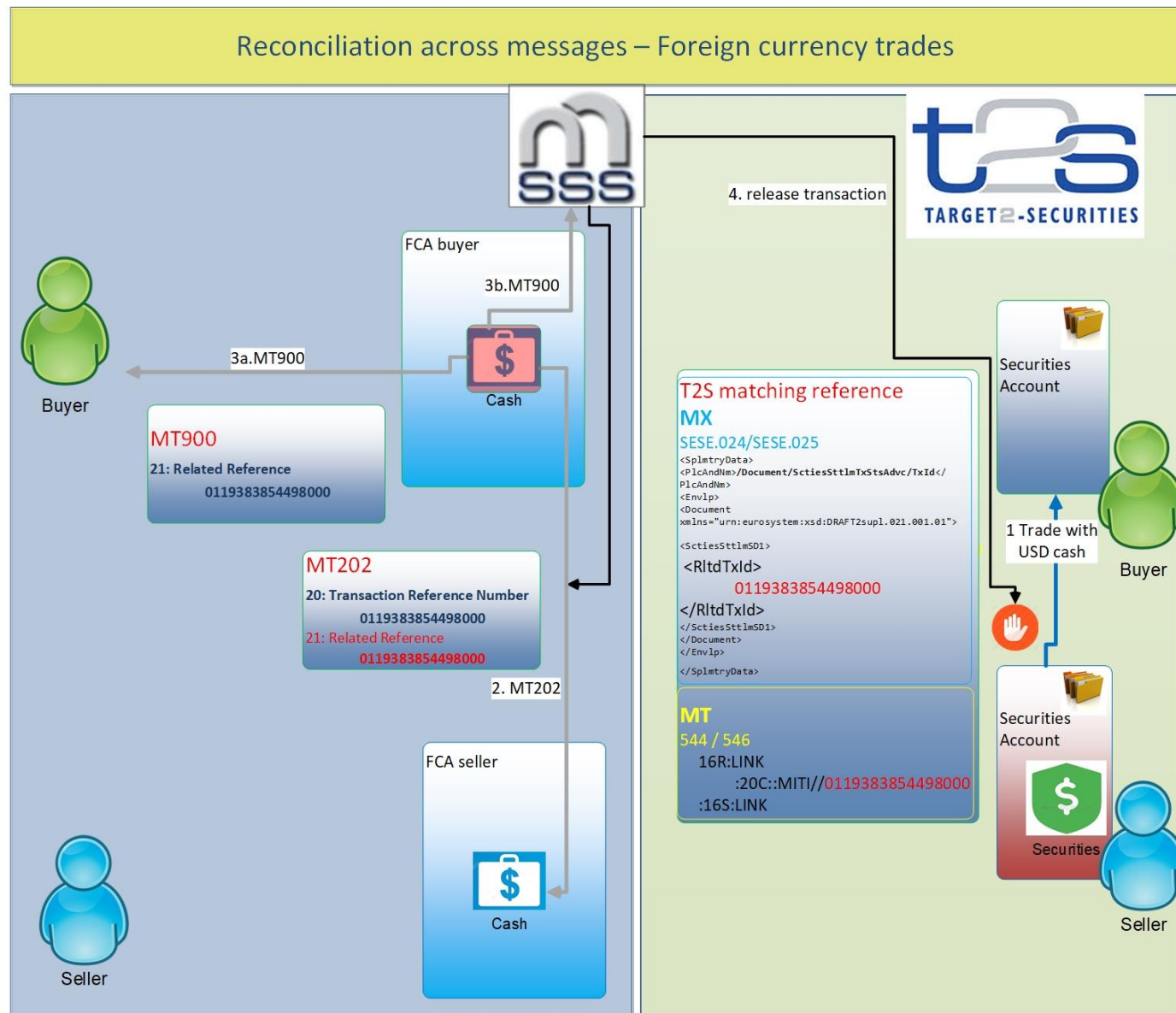National Bank OF BELGIUM

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7

Foreign currencies DVP - 3

Both buyer and NBB-SSS receive the MT900 confirmation of debit with the reference in field 21, allowing NBB-SSS and the buyer to link this debit to the transaction in T2S.
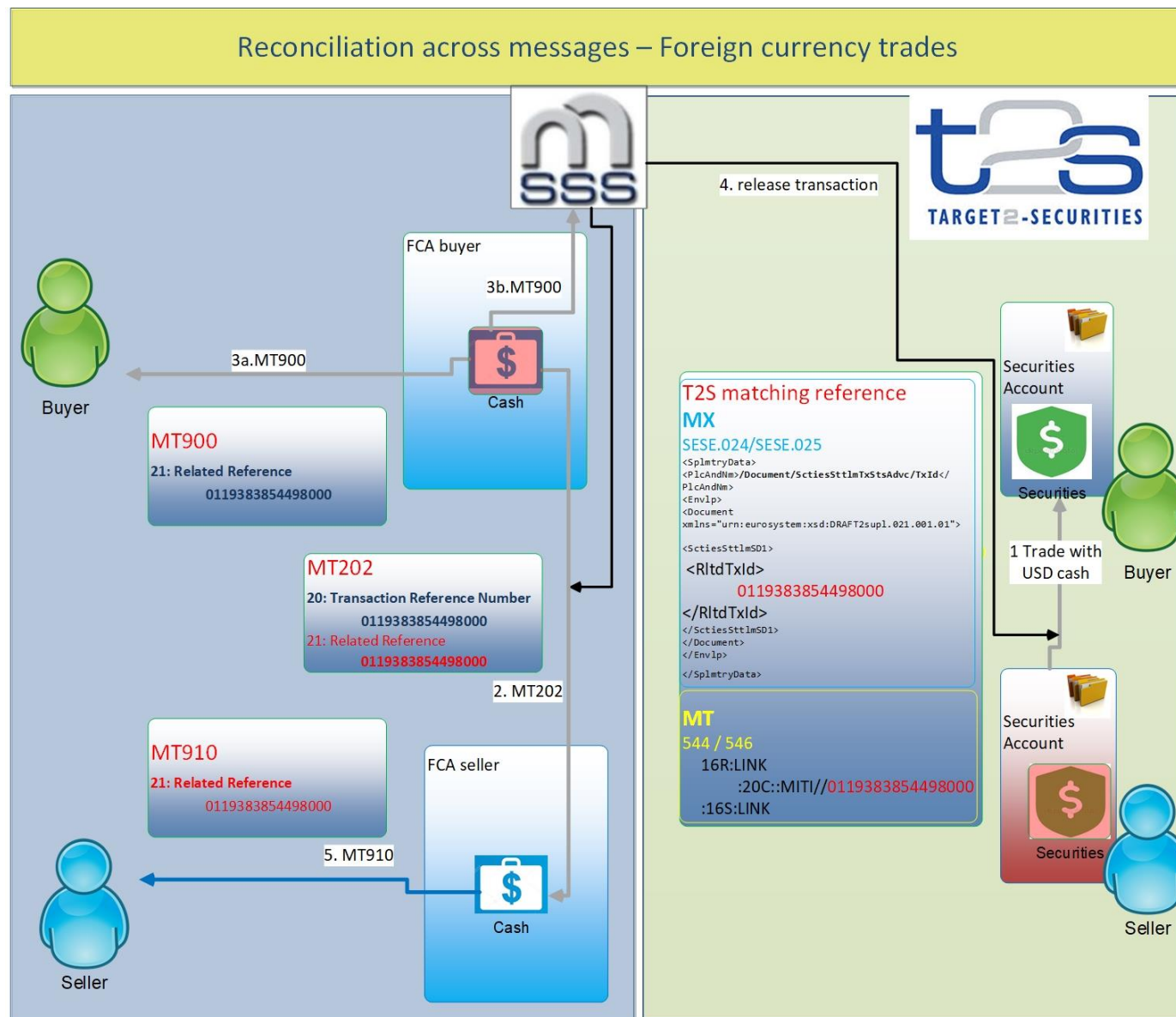

Reconciliation across messages – Foreign currency trades

FCA buyer

3b.MT900

3a.MT900

Cash

Buyer

MT900
21: Related Reference
0119383854498000

MT202
20: Transaction Reference Number
0119383854498000
21: Related Reference
0119383854498000

2. MT202

FCA seller

Cash

Seller

T2S matching reference
MX
SESE.024/SESE.025
```
<SplmtryData>
<PlcAndNm>/Document/SctiesSttlmTxStsAdvc/TxId</PlcAndNm>
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</SplmtryData>
```
MT
544 / 546
  16R:LINK
       :20C::MITI//0119383854498000
  :16S:LINK

Securities Account

1 Trade with USD cash

Buyer

Securities Account

Securities

Seller

Foreign currencies DVP - 4

NBB-SSS releases the transaction in T2S.

Reconciliation across messages – Foreign currency trades

4. release transaction

FCA buyer

3b.MT900

3a.MT900

Buyer

Cash

MT900

21: Related Reference
0119383854498000

MT202

20: Transaction Reference Number
0119383854498000
21: Related Reference
0119383854498000

2. MT202

FCA seller

Cash

Seller

T2S matching reference
MX
SESE.024/SESE.025
```
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<PlcAndNm>/Document/SctiesSttlmTxStsAdvc/TxId</PlcAndNm>
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</Document>
</Envlp>
</SplmtryData>
```

MT
544 / 546
    16R:LINK
        :20C::MITI//0119383854498000
    :16S:LINK

Securities Account

1 Trade with USD cash

Buyer

Securities Account

Securities

Seller

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Foreign currencies DVP - 5

The seller receives the MT910 confirmation of credit with the reference in field 21, allowing the seller to link this credit to the transaction in T2S.

Reconciliation across messages – Foreign currency trades

Foreign currencies DVP

◆ In case a currency is not supported: rejection by T2S (as is current situation)

◆ In case the FCA of buyer and seller are equal: release of the transaction.

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Corporate actions
With transferaccount

Corporate actions - 1

With transferaccount

At End Of Day the system detects a CA in Foreign currencies for which the NBB-SSS provides the Foreign currency financial service and sends out an MT202, to the designated FCA of the Paying Agent for the total amount of the CA to credit the DTA (dedicated transfer account).

Fields 20 and 21 of the MT202 hold the ASRF, a reference that will allow the reconciliation between the cash movements and the messages sent out by the NBB-SSS (MT566 or seev.036) by all parties involved.

Reconciliation across messages – corporate actions
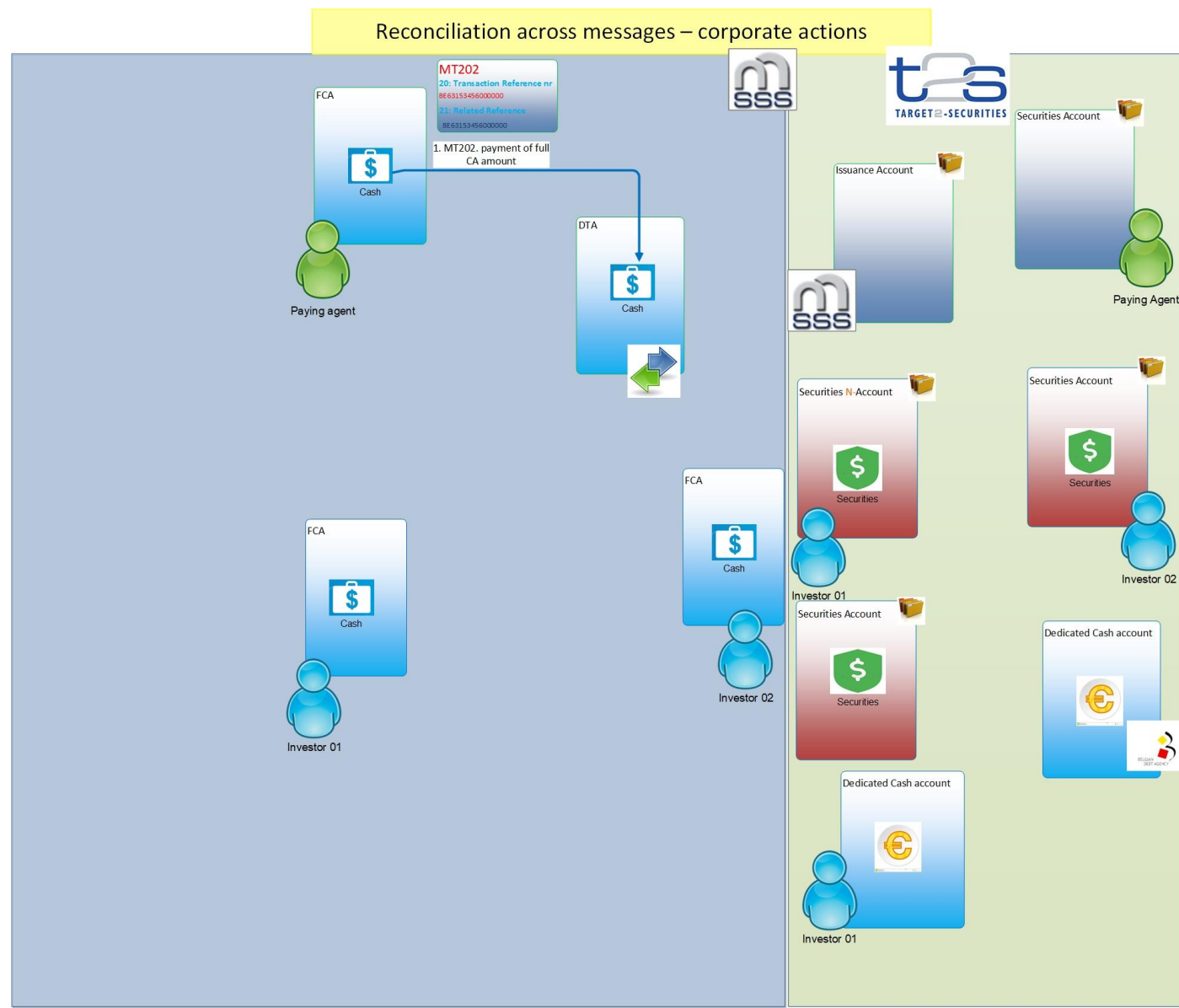
Corporate actions - 2

With transferaccount

The Paying Agent receives the MT900 confirmation of debit with the ASRF reference in field 21. This field is a copy from MT202's field 20.
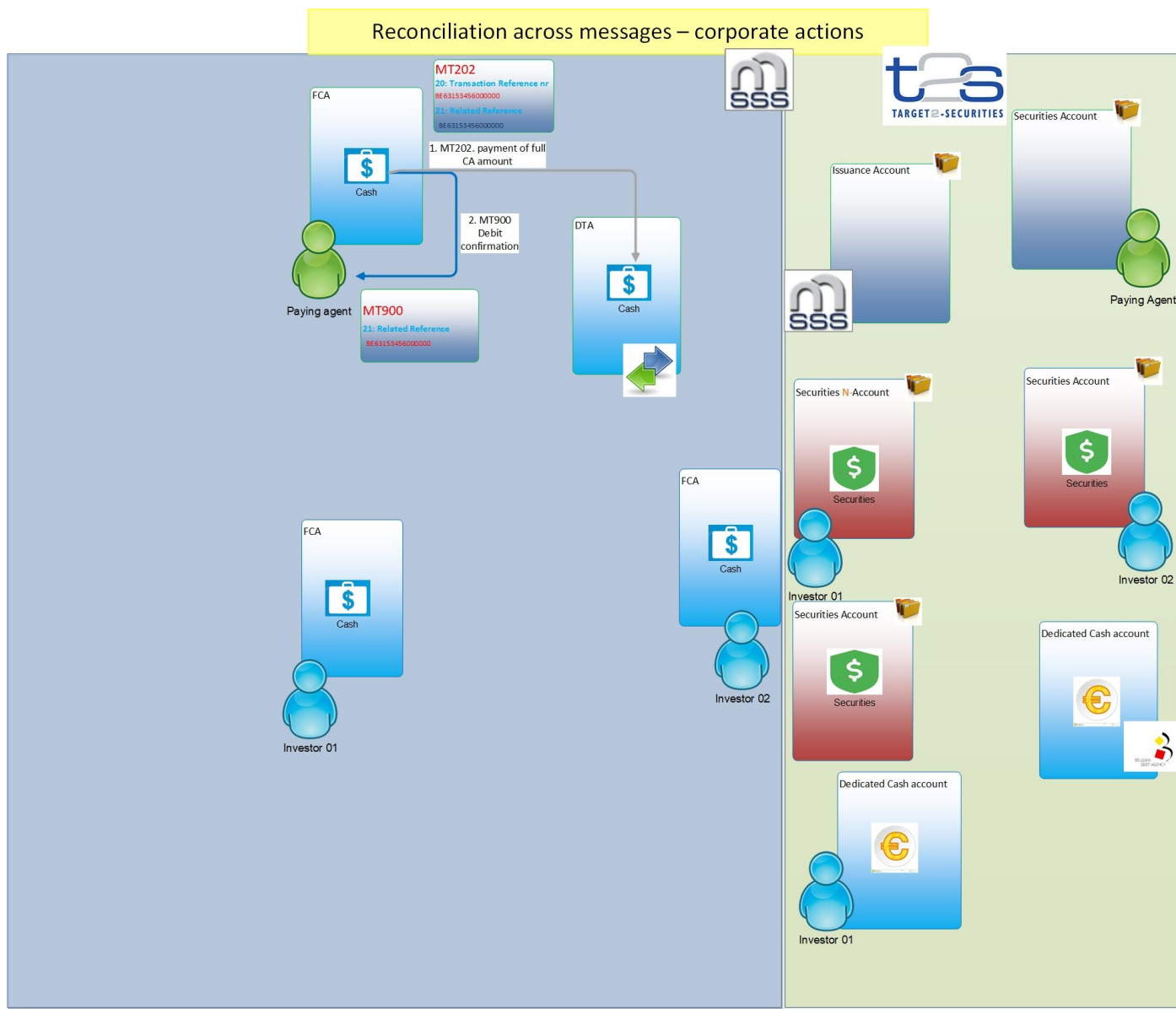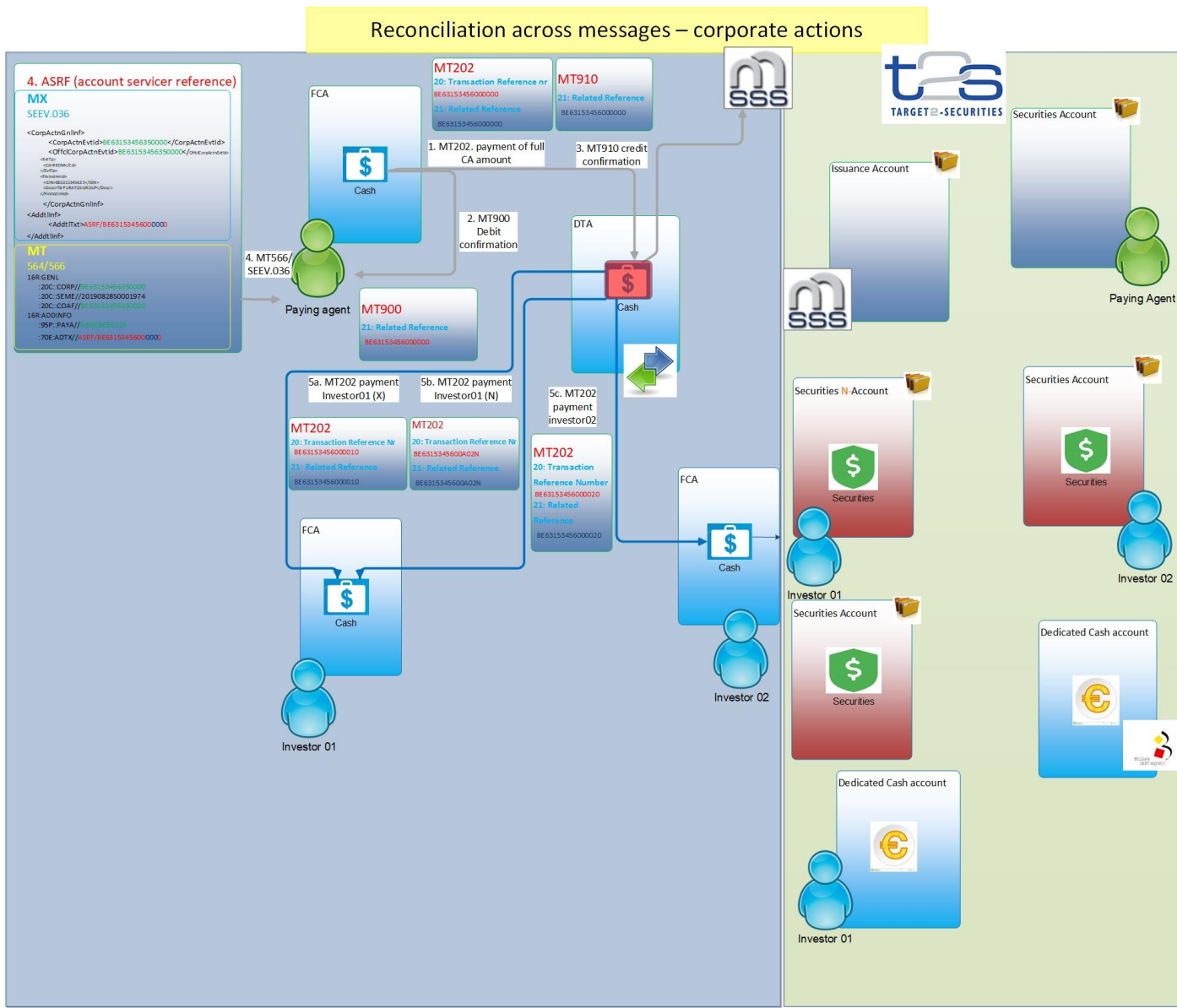
Corporate actions - 3

With transferaccount

When the cash has been credited on the Dedicated Transfer Account, the NBB-SSS receives the MT910 confirmation of credit with the ASRF in field 21. This field is a copy from MT202's field 21.

Reconciliation across messages – corporate actions
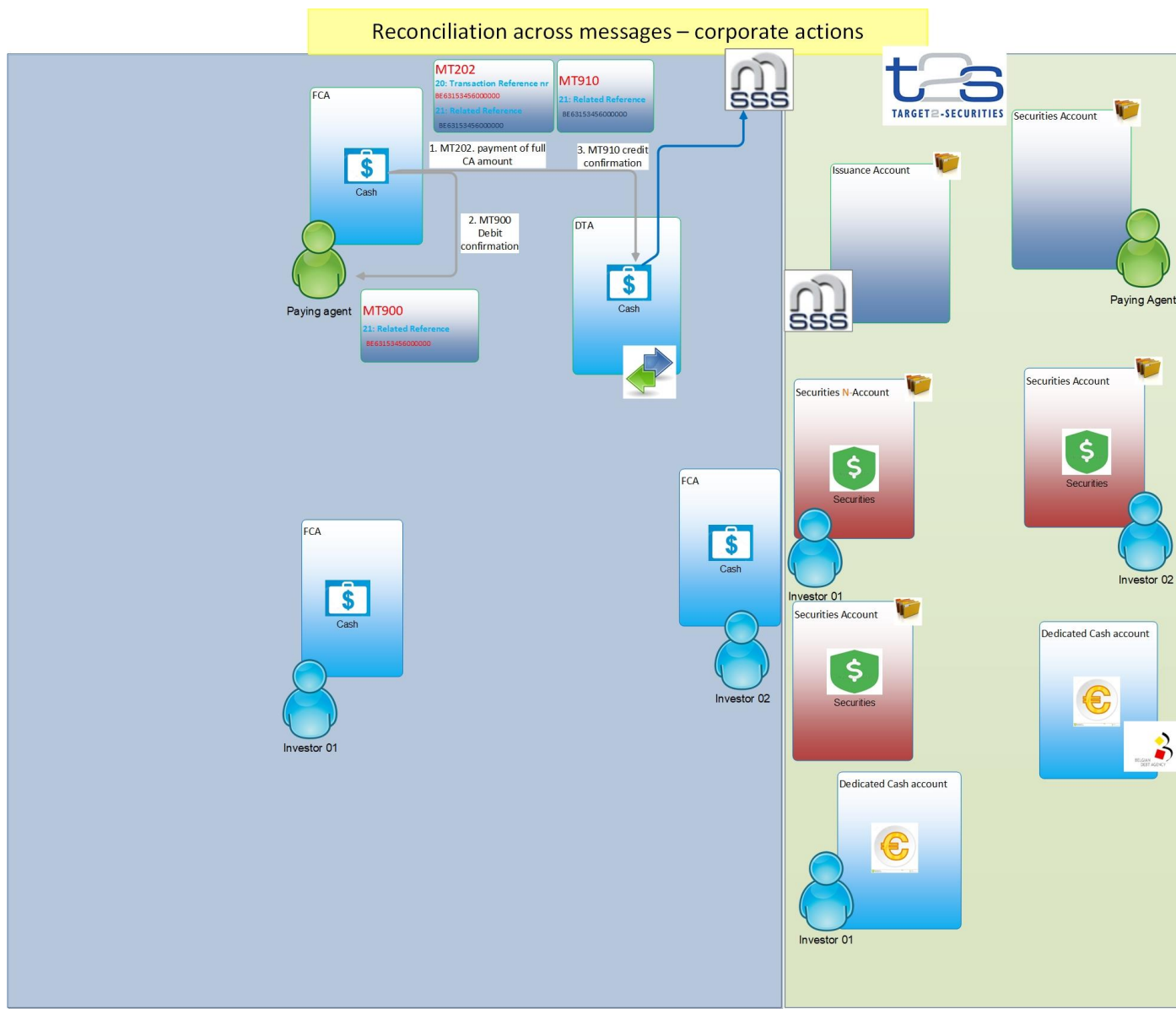
Corporate actions - 4

With transferaccount

The NBB-SSS sends the MT566 (or its MX equivalent seev.036) with the ASRF reference to the Paying Agent.
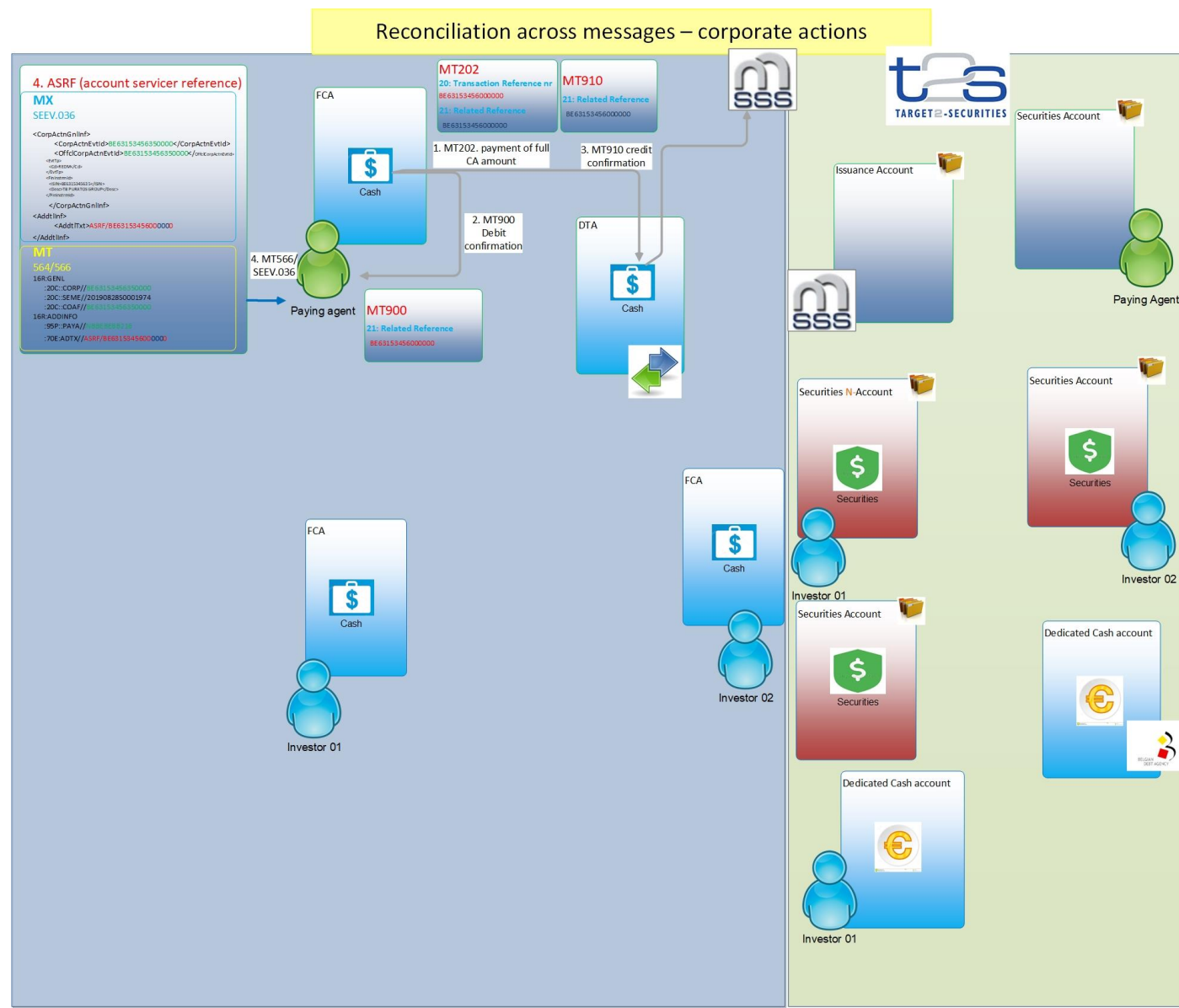
Corporate actions - 5

With transferaccount

The NBB-SSS instructs the MT202's for debiting the Paying Agent's Dedicated Transfer Account and crediting the designated FCA in the securities. These MT202s are created per position. If a participant has different positions on different accounts, there will be an MT202 per position) with a unique ASRF reference per position. In this example investor 01 receives 2 MT202's, i.e. a) for the position on the securities X-account and b) for the position on the N-account. An ASRF that is linked with an N-account ends with N.

Corporate actions - 6

With transferaccount

The NBB-SSS receives for each instructed MT202 an MT900 confirmation of debit with the unique ASRF in field 21 for the transfer account.

Reconciliation across messages – corporate actions

Corporate actions - 7

With transferaccount

The NBB-SSS generates an MT566 (or its MX equivalent seev.036) for each received MT900. These MT566s contain the unique ASRF references.

Corporate actions - 8

With transferaccount

The Participants having a position in the securities receive the MT910 confirmation of credit with the unique ASFR reference in field 21, if their Foreign Currency Provider supports this feature.

Corporate actions - 9

With transferaccount

In case of a redemption the positions are moved from the accounts of Participants having a position in the securities to the issuance accounts with the unique ASFR.

Reconciliation across messages – corporate actions
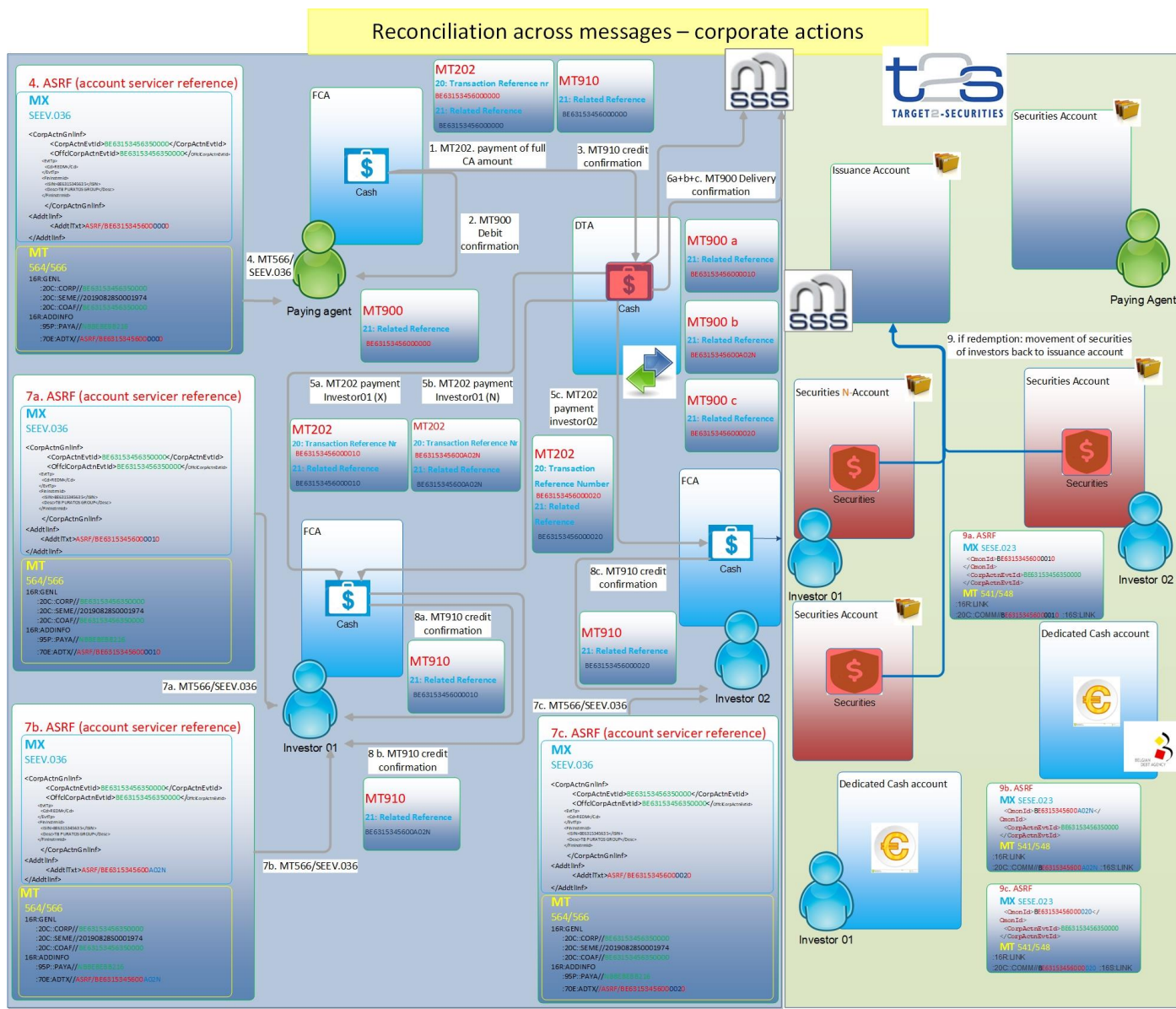
Corporate actions - 10

With transferaccount

If an N-account is involved, the Withholding Tax Transaction also holds the unique ASRF reference in the CMONId field.

Reconciliation across messages – corporate actions

Corporate actions
Without transferaccount

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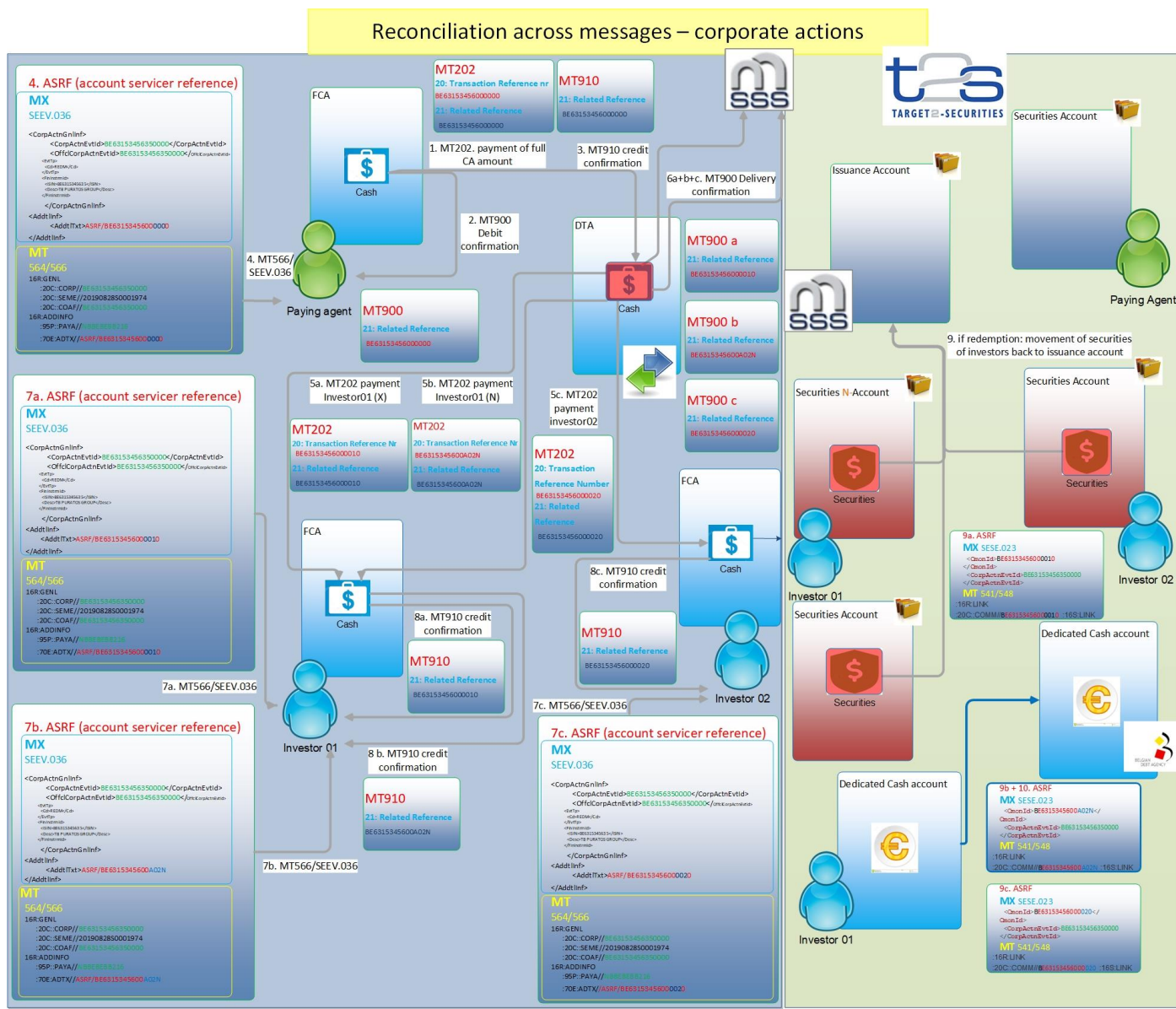
Corporate actions - 1

Without transferaccount

At End Of Day the system detects a CA in Foreign currencies for which the NBB-SSS provides the Foreign currency financial service and the Paying agent has chosen no to use a dedicated transfer account for. Per position NBB-SSS sends out an MT202, to the designated FCA of the Paying Agent for the CA amount of each position to credit each investor FCA.

Fields 20 and 21 of the MT202 hold the ASRF, unique per CA movement. ASRF allows the reconciliation between the cash movements and the messages sent out by the NBB-SSS (MT566 or seev.036) by all parties involved.

Reconciliation across messages – corporate actions without transferaccount
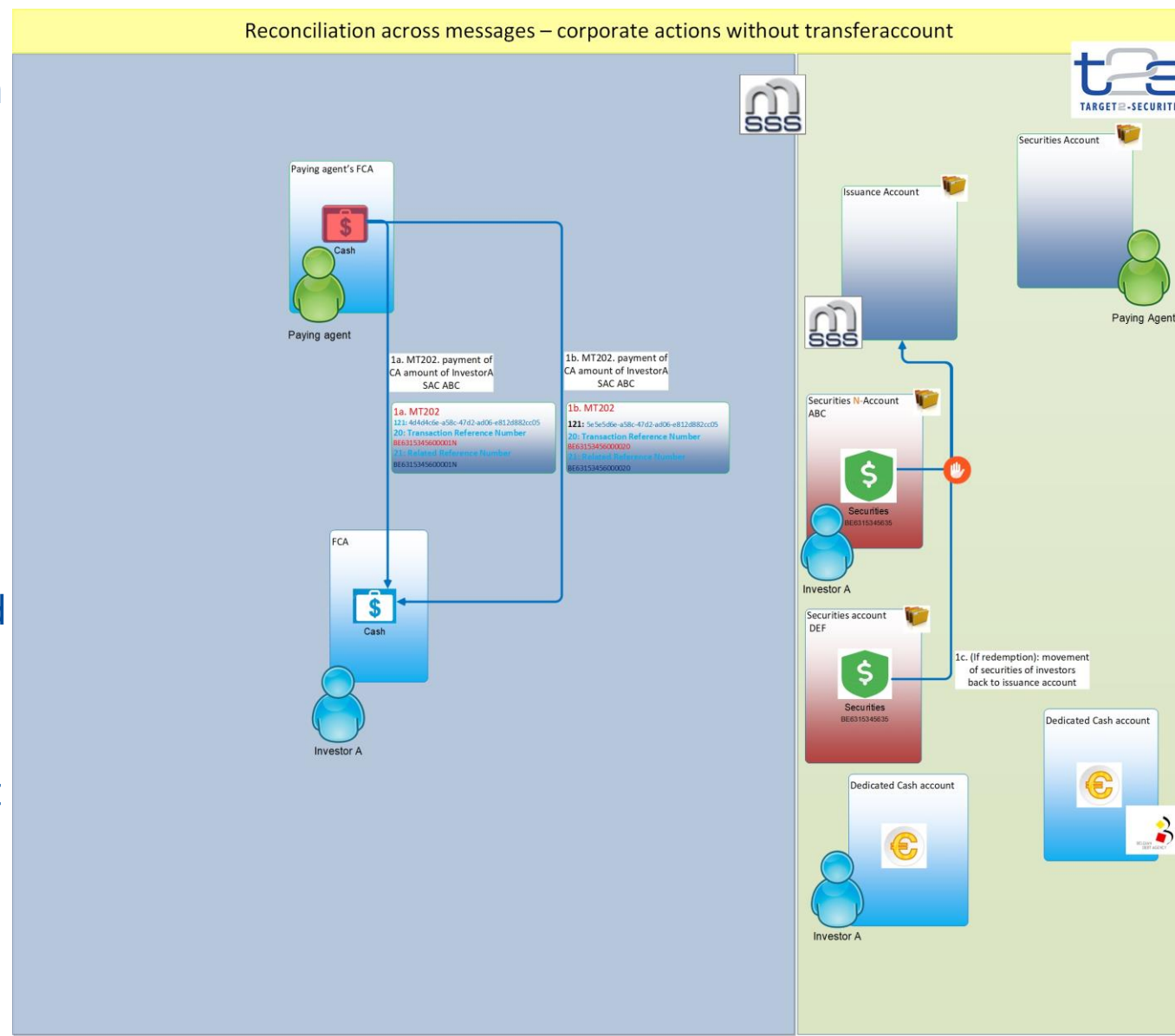
Corporate actions – 1 continued

Without transferaccount

An N-account linked ASRF will always end on N in the last position.

Field 121 of the MT202 will reflect the UETR that also will be found in the MT566/seev.036.

This UETR allows reconciliation as well, but also the possible tracking of the payment though SWIFT GPI.

In case of redemption, the movement of the securities from investors account toward the issuance account is instructed and put on hold. This sese.023 movement also contains the ASRF code (no UETR).

Reconciliation across messages – corporate actions without transferaccount
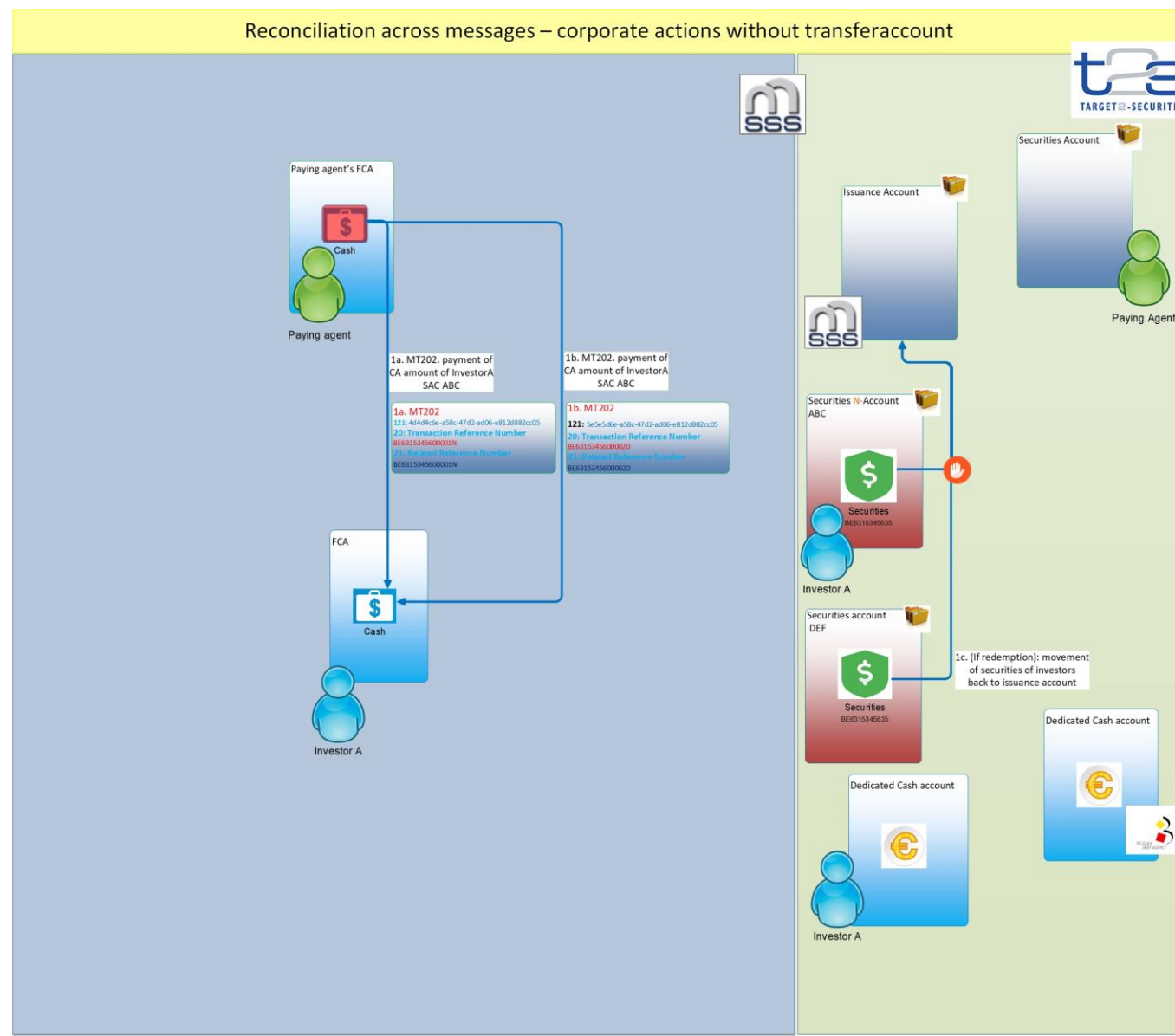
Corporate actions - 2
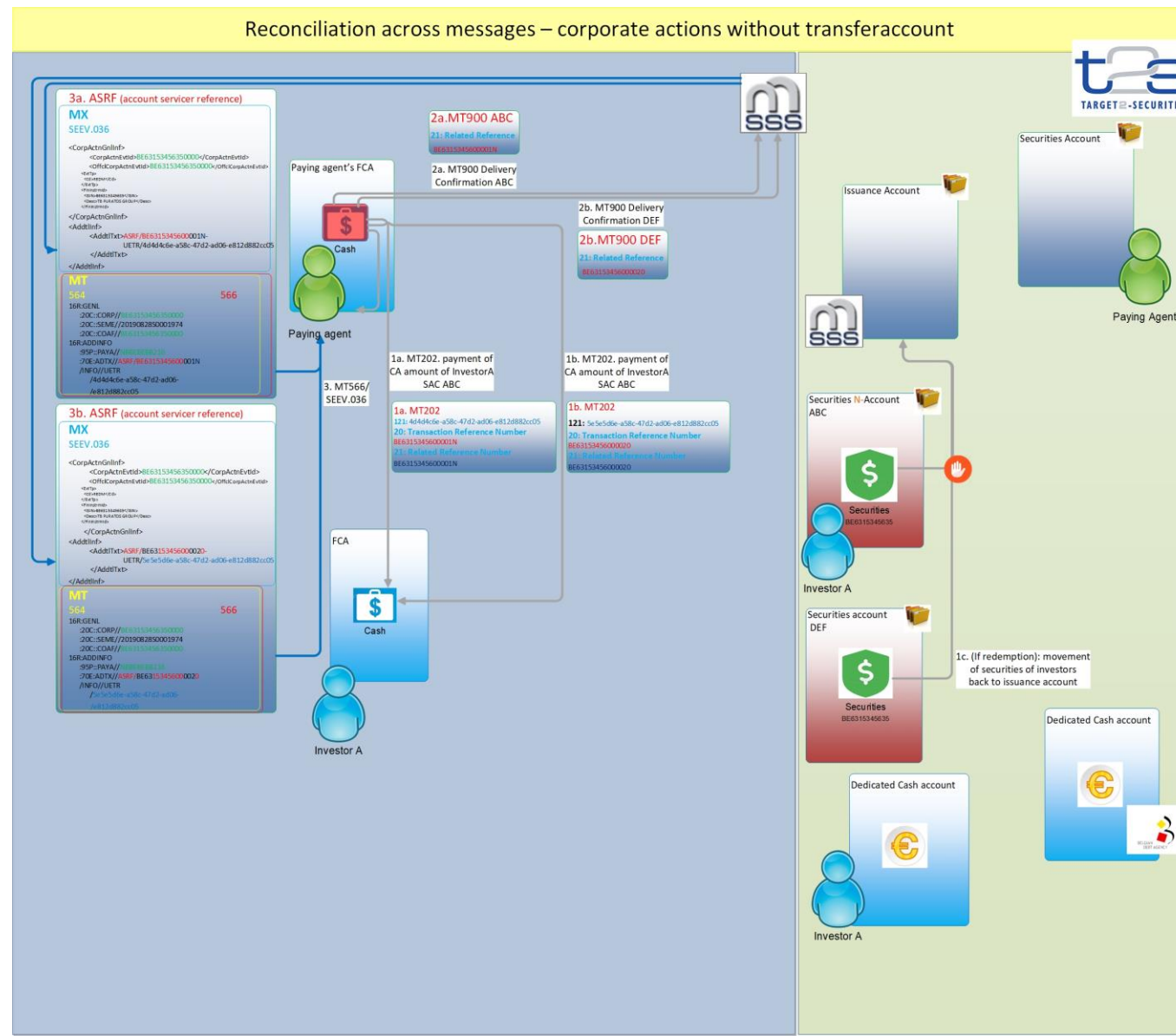
Without transferaccount

NBB-SSS receives, together with the Paying Agent, the MT900 confirmation of debit with the ASRF reference in field 21. This field is a copy from MT202's field 20.

Reconciliation across messages – corporate actions without transferaccount
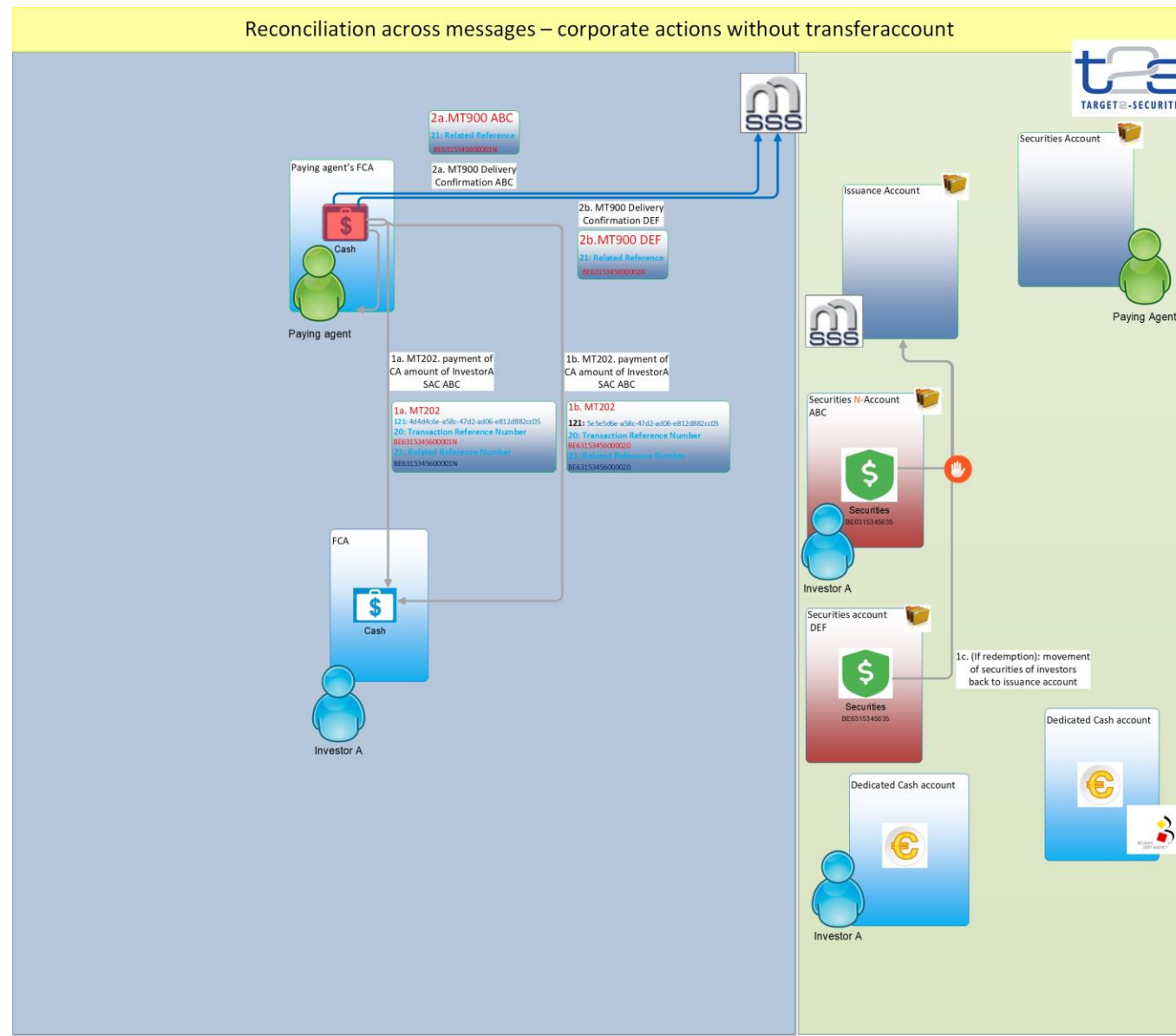
Corporate actions - 3

Without transferaccount

NBB-SSS will create an MT566/SEEV.036 per MT900 received and send it to the Paying agent. These MT566/SEEV.036 will contain the ASRF and UETR references of the MT202 sent out in step 1.


Reconciliation across messages – corporate actions without transferaccount

Corporate actions - 4

Without transferaccount

Simultaneous with step 3, NBB-SSS generates an MT566 (or its MX equivalent seev.036) for each investor position that is sent to the investors. These MT566s contain the unique ASRF and UETR references as well.

Reconciliation across messages – corporate actions without transferaccount
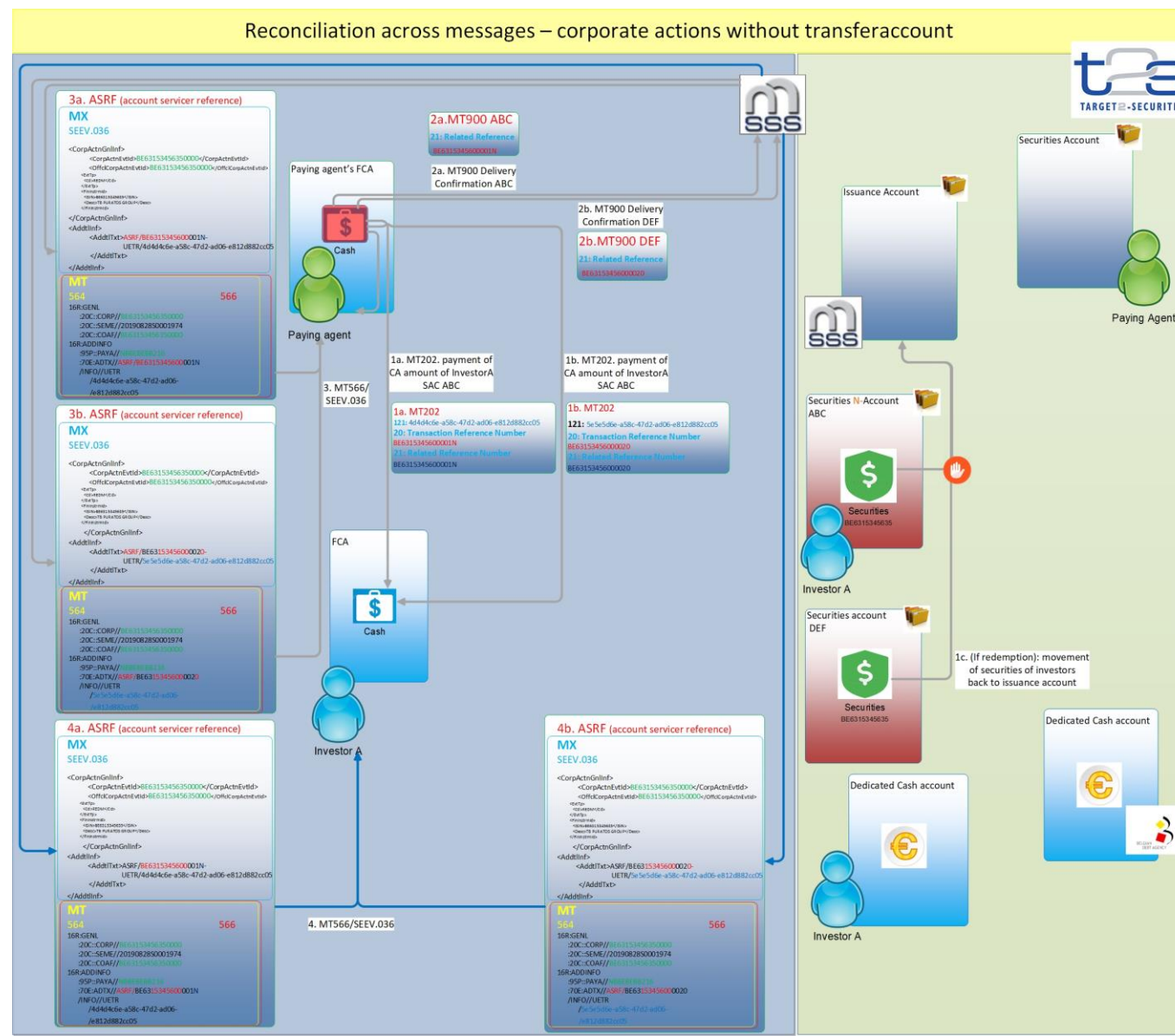
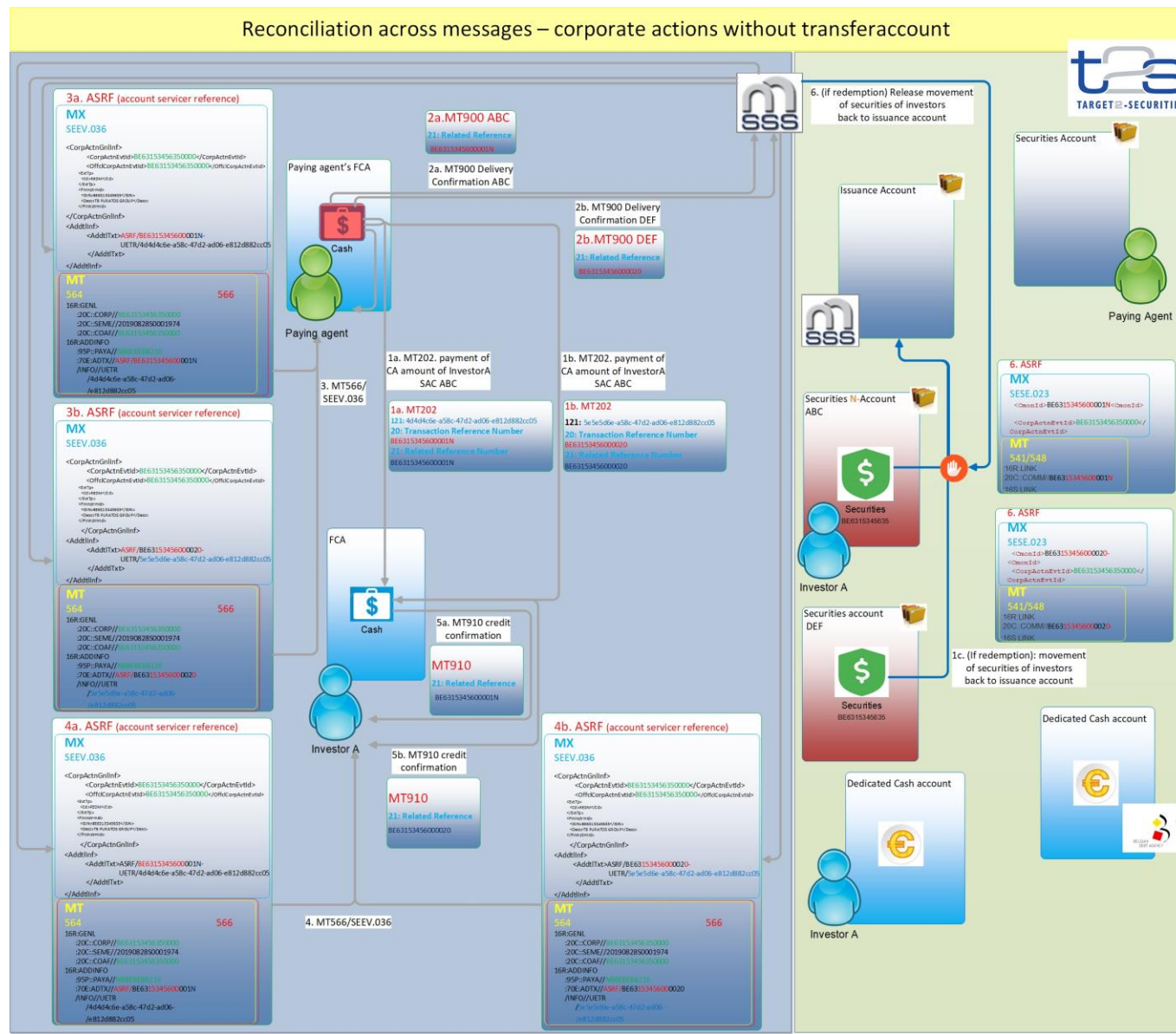# Corporate actions - 5

Without transferaccount

When the cash is credited on its FCA, and if it's Foreign Currency Provider is delivering this functionality, the investor will receive an MT910 for each credit, containing the ASRF in field 21 of the CA movement, allowing the investor to reconcile with the MT566/SEEV.036 received from NBB-SSS. This ASRF is deducted from the (step 1) MT202's field 21.

Reconciliation across messages – corporate actions without transferaccount
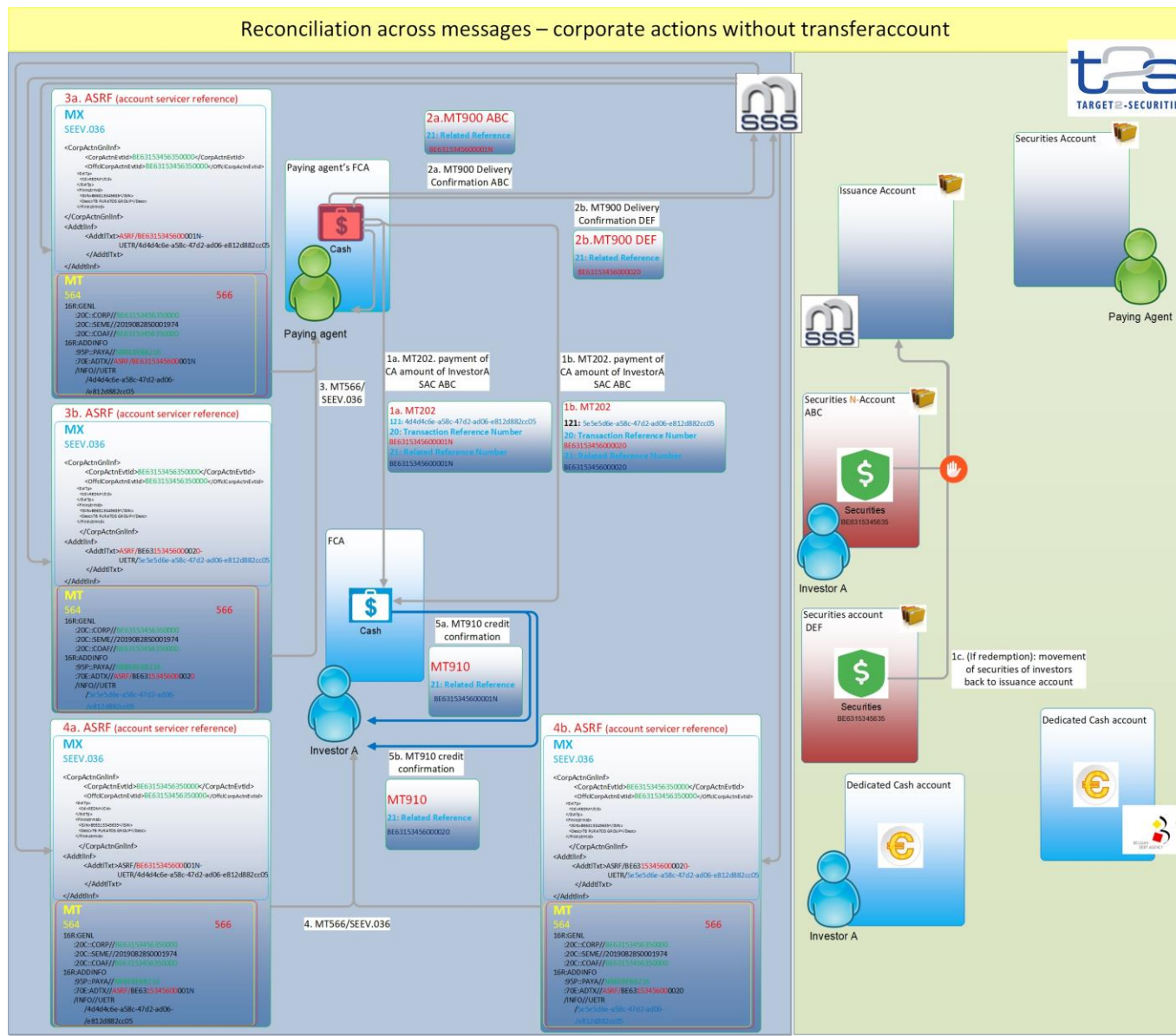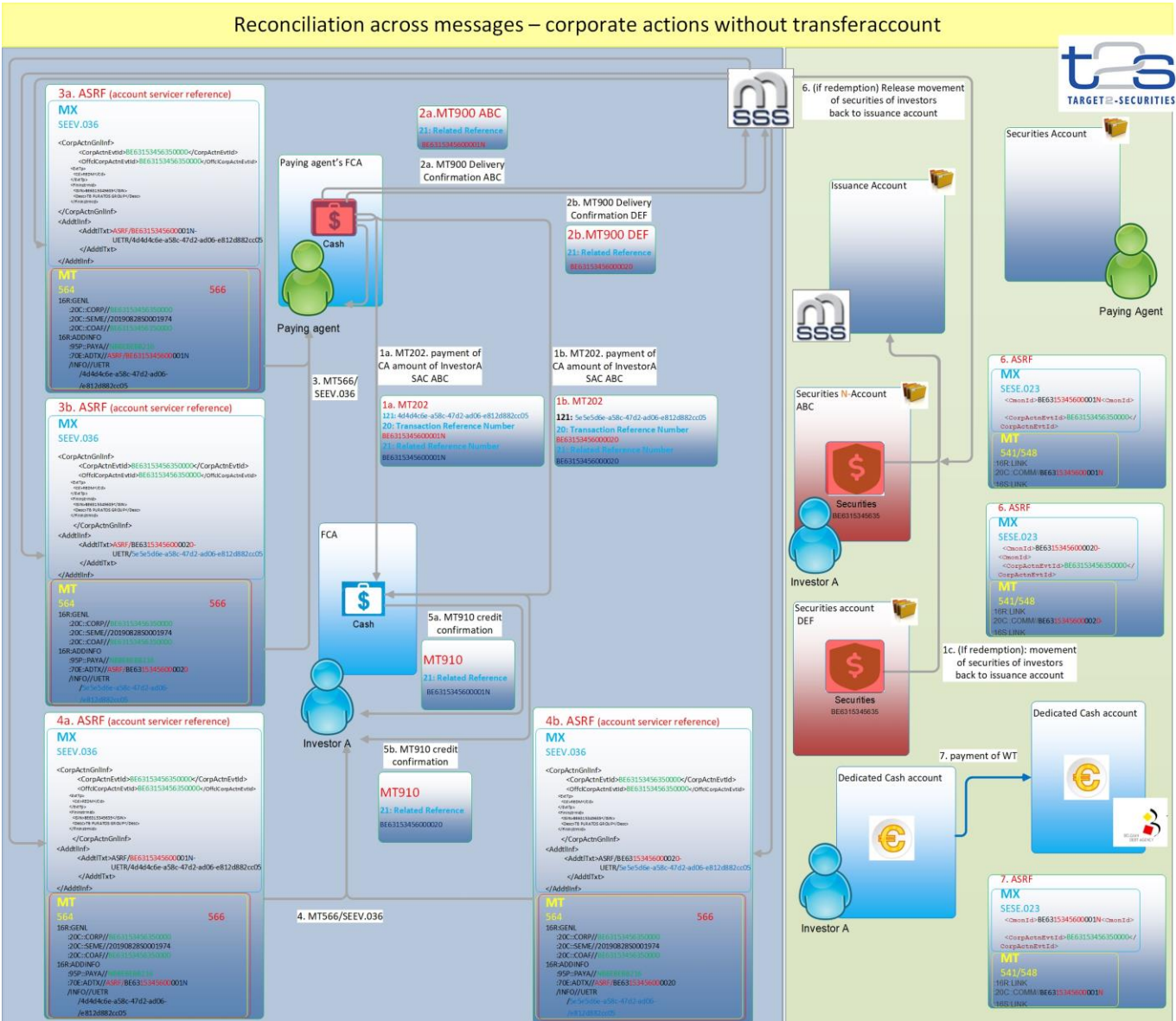
Corporate actions - 6

Without transferaccount

In case of a redemption, NBB-SSS will release the delivery of the positions from the accounts of Participants having a position in the securities to the issuance accounts. The sese.023 will contain the ASRF as well.

Reconciliation across messages – corporate actions without transferaccount

Without transferaccount

If an N-account is involved, the Withholding Tax Transaction also holds the unique ASRF reference in the CMONId field

Reconciliation across messages – corporate actions without transferaccount

Corporate actions

Without transferaccount

◆ Only allowed in cases there is a good reason for not following the standard procedure (with transferaccount):

  ◇ In case the currency is in a timezone preceding CET

◆ Disadvantages of CA without transferaccount:

  ◇ If cash provision is insufficient: not all investors are paid at the same time.

  ◇ Paying agent doesn't receive 1 global MT566, but one per position: has to reconcile.

  ◇ If account to be credited equals account to be debited: MT566 and SESE.023 released without payment.

Reconciliation across messages

ASRF-UETR

CA	Sese.023 (redemption – withholding tax)	Last MT564	MT566	MT202	MT900	MT910
ASRF	cmonId	Adtx/ASRF	Adtx/ASRF	Field 20 Field 21	Field 21	Field 21
UETR	NA	Info/UETR	Info/UETR	121	NA	NA

DVP	Sese.023	SESE.024	SESE.025	MT202	MT900	MT910
MITI	RltdTxId	RltdTxId	RltdTxId	Field 20 Field 21	Field 21	Field 21
UETR	NA	NA	NA	121	NA	NA

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Foreign currencies – required from participants
Buyer

◆ Designate FCA (annex 27.b)

◆ Give NBB-SSS PoA to instruct debit movements on it

◆ In the absence of a designated FCA, the transaction will be kept pending and the Participant will be fined for keeping this transaction unsettled (hold).

◆ Account held with

◇ NBB-SSS' Foreign Currency Provider Belfius

◇ Other Foreign Currency Provider

- Certification tests

◆ Instruct FOP with cash.

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Foreign currencies – required from participants
Seller

◆ Designate FCA (annex 27.b)

◆ In the absence of a designated FCA, the transaction will be kept pending and the Participant will be fined for keeping this transaction unsettled (hold).

◆ Instruct FOP with cash.

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Foreign currencies – required from participants
Investor

◆ Designate FCA (annex 27.b)

◆ In the absence of a designated FCA, the NBB-SSS will transfer the corporate action to a temporary account

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Foreign currencies – required from participants
Paying agent

◆ Designate 2 FCA (annex 27.b)

  ◇ One for Debiting the CA upon

  ◇ One for usage as Dedicated Transfer Account (DTA)

◆ Give NBB-SSS PoA to instruct debit movements on both

◆ Account held with

  ◇ NBB-SSS' Foreign Currency Provider Belfius

  ◇ Other Foreign Currency Provider

    - Certification tests

◆ When participants acting as Paying Agent opt for the Foreign currency financial service, the opening and the designation of these FCA is a prerequisite.

Foreign currencies - FCA

◆Per currency FCA can be declared:

◇On different levels:

- Participant level

- Account level (differs from participant level)

◇For different purposes:

- Credit DVP

- Debit DVP

- Credit CA

- Debit CA (paying agents only-participant level only)

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Foreign currencies - deadlines

◆Migration:

◇To Production on 16 November 2019

◇Activation of functionality in Q2 2020

◆**Participants / Investors** in Foreign currency asset the Paying Agents opts in for

◇Onboarding procedure

- 'Light' If FCA with Belfius:

- provide static data FCA before February 29th 2020

- After this date: 10 businessdays before becoming active

- FCA with Foreign currency cash provider other then Belfius:

- Certification test => market standards applied.

- Be aware that certification tests can take several weeks

Foreign currencies - deadlines

◆ Paying Agents

◇ If FCA and DTA with Belfius:

- provide static data FCA before February 29th 2020

- After this date: 10 businessdays before becoming active

◇ FCA and DTA with Foreign currency cash provider other then Belfius:

- Certification test => market standards applied.

- Be aware that certification tests can take several weeks

◇ Opt in for NBB-Services for an ISIN with Issuance date in the past:

- Announce at least 10 business days before first upcoming CA.

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Foreign currencies - costs

◆DVP transactions:

◇5 euro per instruction

◆Corporate actions:

◇Investor: no extra charges

◇Issuer:

  - redemption of an ISIN: 20 euro (instead of 10 euro)

  - All other costs equal to Euro issues.

Foreign currencies – coming soon

◆ Cash forecast

  ◇ Camt.052

  ◇ GUI

  ◇ Scope (per currency):

  - End of day position last day (if eod message received)

  - All pending transactions

  - All matched transaction next 5 days

  - All unmatched transactions next 5 days

  - All Ca's next 5 days

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Questions?