



Attendance:

*Chairman:* Bart Baudewyn (BNP Paribas Fortis)

*Members:* Olivier De Bruyn (KBC), Pieter Samyn (ING),  
Katia Depuydt (Euroclear), Harm Bulthuis (Citibank),  
Antoine Denayer and Christina Silva (BNP Paribas Securities  
Services), Jean-Pierre De Snoeck (BNP Paribas Fortis)

*Secretary:* David Rubens (NBB-SSS)

*NBB-SSS:* Marc Lejoly

## **Introduction**

---

- Decrease in settlement efficiency: Ramses (96%-97%) vs. Legacy system (99,8%)
- NBB-SSS checks case by case to find the internal root cause of failed instructions and in almost all cases the root cause was either a transaction put on hold, causing a chain of failed transactions or a LACK.

Example of the oldest transaction days:

'DVP, MATCHED, UNSETTLED'

-----  
2015/02/02 00:00:00      4  
2015/02/04 00:00:00      2  
2015/02/06 00:00:00      8  
2015/02/09 00:00:00      2  
2015/02/10 00:00:00      2

'DVP, MATCHED, ON HOLD'

-----  
2015/02/02 00:00:00      2  
2015/02/04 00:00:00      1  
2015/02/06 00:00:00      4  
2015/02/09 00:00:00      1  
2015/02/10 00:00:00      1

- How can settlement efficiency be increased?

## **Reasons for Hold**

---

- Hold is sometimes used to perform a 'position check' (for example in case of use of omnibus accounts).
  - o This is however a matter of seconds/minutes and does not explain why some transactions stay on hold for longer time periods.
- Hold is maybe used by fear of the 'short of securities' penalty fee (LACK).
  - o This generates chains which result in even more penalties
- Noticed side effect of fear of LACK: more borrowing of securities in other systems.

## **Actions**

---

- Ask the participants who have transactions on hold for longer periods of time to explain why this is the case.
- Adapt the penalty fee schedule to incorporate Hold fees.
  - o The NBB-SSS did not foresee that Held transactions would be such a problem for the settlement efficiency and thus did not foresee special penalty fees for Hold messages that stand in the way of settlement.
  - o Hold fee should be 'at least' as high as the fee for a LACK. A higher fee will discourage the prolonged use of Hold and will improve the settlement efficiency.

## **Other issues**

---

- Instructions sent in late
  - o Instructions should be in the system as soon as possible. Retaining the instructions for fear of penalties is bad for market efficiency.
  - o There is very little NBB-SSS can do about this, except educate the participants with general communication encouraging early matching.
- Invoice of February
  - o As the invoicing of penalties is still processed manually it will be retained a bit longer before sending.
  - o NBB-SSS will probably do a 'commercial gesture' towards its participants because of the grace period.

\*\*\*\*\*