SWIFT & Connectivity: Changes in November 2014

Clearstream Banking Frankfurt[1] would like to present the planned changes concerning the SWIFT Standard Release 2014 in the following announcement. These planned changes will come into effect on 16 November 2014.

The changes summarised in this document concern the following areas:

- SWIFT Standard Release;
- CBF Connectivity;
- Implementation within the Securities Markets Practice Groups (SMPGs);
- Standardisation of the different types of messages.

Each year SWIFT publishes specifications for the different ISO 15022 types of messages. These changed or enhanced specifications refer to the requirements of the National Market Practice Groups (NMPGs) and the SMPGs.

CBF will explain the technical background of the different changes/adjustments in the upgrade information.

In principle, all requirements are binding and must be adopted by all SWIFT users. The optional changes may be adopted.

The changes described below will be implemented by CBF within the framework of the SWIFT Release in November 2014.

These changes apply to messages in the ISO 15022 format which are received or sent via the SWIFT network, via IBM WebSphere MQ as well as via the File Transfer interface.

The corresponding changes for CBF are outlined below. The "network validation rules" changed by SWIFT are not presented in detail.

The information is divided into the following sections:

- Clearing and settlement services;
- Custody services.

The Customer Service Connectivity is available to answer questions relating to this Release Information on +49-(0) 69-2 11-11590.

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[1] This announcement is published by Clearstream Banking AG (CBF), registered office at Mergenthalerallee 61, 65760 Eschborn, Germany, registered with the Commercial Register of the District Court in Frankfurt am Main, Germany, under number HRB 7500.

1. Clearing and settlement services

Due to the SWIFT Standard Release 2014, there will be no changes. However, adjustments are necessary because of preparatory measures for TARGET2-Securities (these were published in the announcement CBF Release in November 2014: Advance announcement of changes in May 2014) and because of the check of inbound transactions being introduced. The adjustments are described in detail below.

1.1   Compliance check of inbound instructions

CBF will conduct a compliance check on all inbound instructions from customers. To keep customers informed about the status of their instructions, the pending status IPRC//PPRC will be reported via an MT548 message for those customers who have subscribed to MT548 BVF (Business Validation Feedback) messages for CASCADE instructions.
Example:
Sequence A – General Information

Subsequence A2 – Status
25D::IPRC//PPRC

Subsequence A2a – Reason
24B::PPRC//NARR
70D::REAS//YOUR INSTRUCTION IS AWAITING VALIDATION

After successful completion of the compliance check, instructions will follow the standard lifecycle reporting. For customers not subscribed to MT548 BVF messaging, this notification is not provided.

1.2   Instruction management – Adjustments for TARGET2-Securities (T2S)

To ensure the smooth migration to T2S, the first measures will be implemented in the Release in November 2014. With regard to the processing of securities transactions, CBF will make the following changes in the context of connectivity:

- Expansion of settlement party information

  With its launch, CBF will establish the Party Level 5 (Deliverer's Intermediary 2 (DIE2)/Receiver's Intermediary 2 (REI2)) in its processes and introduce it for all customers.

- Party information is reported at the same level as it was sent

  CBF will report all Party Level information taken in the CASCADE instruction pool at the same level as it was originally sent. In addition, there is a reorganisation of the Party Level 1 (BIC and SAC number).
  Note: In future, a maximum of 70 characters will be taken from CASCADE for Party Levels 2-5.

  This also means that, in online entry via CASCADE, the additional input of text information for "Account beneficiary/Account instructor" is no longer possible.

- Removal of the attribute "MSC"

  All functionalities that are currently connected with the "MSC" attribute in the CASCADE settlement system for standard OTC instructions (instruction types AA01/02) and instructions for RS issue introductions (AA01 E) will be removed. If a customer sends the value "MSC NONREF" to CBF when exchanging messages in the field "97A" (safekeeping account), this information will be mapped as Party Level detail in the CASCADE instruction pool and processed accordingly.

A full description of the relevant T2S system changes can be found in the announcement CBF Release in November 2014: Advance announcement of changes.

2. Custody services

The changes for the CBF Custody Service, which will come into effect on 16 November 2014, are summarised in this chapter. The SWIFT messages MT564/566/568 are optional services and can be requested by the customer using order form number 83A/B.

2.1 SWIFT Standard Release 2014

2.1.1 MT564 Corporate Action Notification

Sequence A General Information
:22F::CAEV//MCAL

In future, the corporate action event indicator MCAL will be used for early repayments or redemptions in the future. The event indicator occurs for the subsequent event types in connection with the following repayment types (WM field VD005):

- TA130 – Full repayment
- TA131 – Repayment of participation rights
- TA132 – Repayment of certificates
- TA134 / TA231 – Cash settlement for redemption in securities

VD005	Description
07	Full cancellation
28	Full redemption took place prematurely
29	Full redemption took place prematurely due to credit event
33	Full redemption took place prematurely without redemption amount/price
34	Full redemption took place prematurely due to credit event without redemption amount/price

Sequence A General Information
:25D::PROC//INFO

The processing status INFO is no longer permitted and will be replaced by PREU. This concerns the "For info only" messages for UCITS-related information on funds that were previously announced without a deadline or further information on the implementation of the corresponding non-income measure being known, and the "For info only" messages on fund mergers.

Sequence D Corporate Action Details
:98A::XDTE

In the case of reorganisation events, the ex-date is no longer indicated. This concerns the following event types:

- TA122 – Automatic exercise of warrants
- TA123 – Payment of squeeze out
- TA124 – Compensation/share buyback
- TA222 – Withdrawal of worthless certificates and warrants
- TA231 – Redemption in securities
- TA232 – Exchange offers

The payment date remains unchanged in 98A::PAYD in sub-sequences E1 or E2.

Sub-sequence E1 Securities Movements
:92D::NEWO

Currently, for the event type TA232 (reorganisation events), the exchange ratio "New securities class: Old securities class" is indicated in the E1 debit sub-sequence, which shows the write-off of the old securities class (ISIN underlying of the event). In future, the exchange ratio will be indicated in the E1 credit sub-sequence, which shows the booking of the new securities class.

Sub-sequence E2 Cash Movements
:92J::GRSS//TXBL and 92J::GRSS//TXFR

When income and tax liquidity are distributed for German securities, the two fields "Taxable portion (rate)" and "Tax-free portion (rate)" are also indicated. This concerns the following event types:

- TA110 – Interest
- TA120 – Dividends from shares
- TA121 – Distribution of the funds
- TA125 – Distribution due to corporate action
- TA126 – Distribution of participation rights
- TA127 – Tax liquidity for growth funds

The field 92J::GRSS//TXBL contains the proportionate distribution rate which is subject to taxation (sum of assessment bases), and the field 92J::GRSS//TXFR contains the proportionate distribution rate which is free from taxation (gross distribution rate minus the assessment bases). The fields are displayed regardless of the tax status of the customer and only for positive amounts not equal to zero.

Growth funds

The following changes and enhancements refer to the event type TA127 (Tax liability for growth funds).

Sequence F Additional Information
:70E::TAXE

The free text field is currently used to indicate the domestic and foreign dividend part (without REIT) as well as the domestic REIT-part. In future, the domestic and foreign REIT-part will be indicated on the domestic and foreign dividend part (without REIT).

SWIFT field	Description
Sequence F Additional Information	
:70E: :TAXE//DIV/	Domestic and foreign dividend part (without REIT)
REIT/	Domestic and foreign REIT-part
EXCHANGE RATE/	Currency 1 / Currency 2 / Exchange rate in the event that the currency of the assessment basis deviates from the distribution currency.

2.1.2   MT566 Corporate Action Confirmation

Sequence A General Information
:22F::CAEV//MCAL

In future, the corporate action event indicator MCAL will be used for early repayments or redemptions in the future. The event indicator occurs for the subsequent event types in connection with the following repayment types (WM field VD005):

- TA130 – Full repayment

- TA131 – Repayment of participation rights

- TA132 – Repayment of certificates

- TA134 / TA231 – Cash settlement for redemption in securities

VD005	Description
07	Full cancellation
28	Full redemption took place prematurely
29	Full redemption took place prematurely due to credit event
33	Full redemption took place prematurely without redemption amount/price
34	Full redemption took place prematurely due to credit event without redemption amount/price

Sequence B Underlying Securities
:35B: Identification of the Financial Instrument

The booking confirmation for an FoP claim currently shows the ISIN of the FoP claim in sequence B; for example, the ISIN of the subscription right. In future, the ISIN of the underlying event will be shown in sequence B; for example, the ISIN of the common share. The movement together with the ISIN from the FoP claim will continue to be shown in the sequence D1. This change affects:

- MT566 confirmations for FoP claims due to reverse or market claiming based on OTC or LION stock exchange transactions;

- MT566 confirmations based on booked OTC or LION stock exchange transactions that have been modified on the entitlement date of the event by changing the ISIN.

Sequence C Corporate Action Details
:98A::XDTE

In the case of reorganisation events, the ex-date is no longer indicated. This concerns the following event types:

- TA122 – Automatic exercise of warrants

- TA123 – Payment of squeeze out

- TA124 – Compensation/share buyback

- TA222 – Withdrawal of worthless certificates and warrants

- TA231 – Redemption in securities

- TA232 – Exchange offers

The payment date is shown unchanged or newly inserted in 98A::PAYD in sub-sequences E1 or E2.

Sub-sequence D2 Cash Movements
:92J::GRSS//TXBL and 92J::GRSS//TXFR

When income and tax liquidity are distributed for German securities, the two fields "Taxable portion (rate)" and "Tax-free portion (rate)" are also indicated. This concerns the following event types:

- TA110 – Interest
- TA120 – Dividends from shares
- TA121 – Distribution of the funds
- TA125 – Distribution due to corporate action
- TA126 – Distribution of participation rights
- TA127 – Tax liquidity for growth funds

The field 92J::GRSS//TXBL contains the *proportionate* distribution rate which is subject to taxation (sum of assessment bases), and the field 92J::GRSS//TXFR contains the proportionate distribution rate which is free from taxation (gross distribution rate minus the assessment bases). The fields are displayed regardless of the tax status of the customer and only for positive amounts not equal to zero.

Growth funds

The following changes and enhancements refer to the KADI event type TA127 (Tax liquidity for growth funds).

Sequence E Additional Information
:70E::TAXE

The free text field is currently used to indicate the domestic and foreign dividend part (without REIT) as well as the domestic REIT-part. In future, the domestic and foreign REIT-part will be indicated on the domestic and foreign dividend part (without REIT).

SWIFT field	Description
Sequence F Additional Information	
:70E: :TAXE//DIV/	Domestic and foreign dividend part (without REIT)
REIT/	Domestic and foreign REIT-part
EXCHANGE RATE/	Currency 1 / Currency 2 / Exchange rate in the event that the currency of the assessment basis deviates from the distribution currency.

Sending time MT566 after DD2 cash bookings

MT566 messages for the confirmation of DD2 money bookings from the custody business are currently normally sent to customers at 15:00. In the future, the 15:00 transfer run will be brought forward to approximately 14:15. This means that the MT566 on DD2 money bookings can be sent to customers earlier. MT564 advance information, which is currently sent by File Transfer at 15:00, will not be communicated until the next transfer run at 15:45 in the future.

2.2   Transformation of pending OTC and stock exchange transactions into cash

With the Release in November 2014, in the case of transformations of pending OTC and stock exchange trades into cash, additional mandatory reorganisation events, such as redemptions, are used for the transformation process. Details on this are described in the announcement CBF Release in November 2014: Advance announcement of changes.

SWIFT reporting follows the standard reporting for transformations. An MT564 REPE ATXF with 22F::ADDB//ATXF is produced on the record date for all pending transactions. The booking is confirmed via MT566 with 22F::ADDB//ATXF.

2.3   MT564 REPE for income events

With the Release in November 2014, the scope of the MT564 REPE messages is being expanded. The new messages are based on the ISO 15022 standards and only have a minimal impact on the existing MT564 message formats. The extensions complete the scope of the MT564 REPE messages for income events, with the result that a message is provided for each payment – automatically generated by KADI.

A complete listing of all CBF MT564 REPE messages for income events is in the announcement CBF Release in November 2014: Advance announcement of changes.