

Information on the functional modifications for the Euroclear markets France, Netherlands and Belgium on T2S

Clearstream Banking AG, Frankfurt¹ would like to inform customers about the scheduled functional modifications for the upcoming migration of the Euroclear markets to TARGET2-Securities (T2S).

Functional modifications for the settlement

Based on the specifications agreed with Euroclear, CBF identified the need for functional modifications as follows. This information is based on the assumption that the markets of Euroclear France (EF), Euroclear Netherlands (ENL) and Euroclear Belgium (EBE) are going to migrate to the settlement platform T2S before CBF does – currently scheduled for T2S wave 3 on 12 September 2016.

CBF will conduct its transition tasks for the cross-border links with these markets (ESES) in French, Dutch and Belgian securities on the migration date that is yet to be communicated by Euroclear.

The following functional and organisational measures for cross-border instructions in the ESES markets will be implemented with the migration of the ESES markets to the T2S platform. It is necessary for these details to be taken into consideration in the processes of our customers for the respective start of production.

- Change of account numbers for Euroclear France (EF), Euroclear Netherlands (ENL) and Euroclear Belgium (EBE);
- Adjustment of the settlement timeline for valid instructions;
- Consideration of the T2S matching criteria;
- Use of T2S Party BICs and SACs;
- Changes in the processing of Delivery versus Payment (DvP) instructions;
- Changes in the use of Free of Payment (FoP) instructions without matching (dumps);
- Adjustment of the Hold / Release process;
- Adjustment of the cancellation process for valid instructions;
- Changes to the processing of corporate actions;
- Adjustment of settlement messages in ISO 15022 format;
- Changes to the entries in party fields in CASCADE Online.

The implementation guidelines for these functional aspects will be explained below.

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.

Please note that the following aspects will remain unaffected by the migration:

- The securities currently eligible in the links with Euroclear France, Netherlands and Belgium;
- The registration process for registered shares currently admitted in the link with Euroclear France;
- CBF's Tax Agent Status in the French market.

Change of account numbers for Euroclear France, Netherlands and Belgium

With the migration of Euroclear to T2S the mirror accounts 7205 (EF), 7214 (ENL) and 7223 (EBE) currently used in CBF will be closed and new mirror accounts 4500 (EF), 4499 (ENL) and 4498 (EBE) will be opened. Therefore CBF customers will need to use the changed account numbers in settlement instructions with the ESES markets starting with the migration of these markets to T2S.

The omnibus accounts in the Euroclear system remain unchanged and will additionally be represented on T2S as Securities Account Number (SAC).

	CBF – Mirror		Euroclear – Omnibus	
	Old	New	Account	T2S SAC
Euroclear France (EF)	7205	4500	607	SICVDAKVDEFFR1000L10
Euroclear Netherlands (ENL)	7214	4499	1603	NECIDAKVDEFFNL1000L10
Euroclear Belgium (EBE)	7223	4498	1604	CIKBDAKVDEFFBE1000L10

Adjustment of the settlement timeline for valid instructions

Euroclear will send their instructions to T2S for final settlement. Therefore settlement will be conducted on T2S calendar days and will be based on the new T2S settlement timeline/cycles.

CBF will send valid Free of Payment (FoP) and versus Payment (DvP / RvP) customer instructions to the respective ESES market for settlement in real time. On T2S successfully matched instructions can be settled on the Intended Settlement Day (ISD) until 16:00 (DvP / RvP) resp. 18:00 (FoP).

Therefore CBF's deadline for the processing of valid instructions for same-day settlement of DvP/RvP instructions remains at 15:45 and will be extended to 17:45 for FoP instructions.

Consideration of the T2S matching criteria

For the participating ESES markets Euroclear will send the securities instructions to T2S for further processing. The administration, matching and subsequent settlement of securities instructions will be carried out on this platform. With the migration of the ESES markets to T2S the settlement of cross-border transactions with the ESES markets will therefore be based on the T2S matching criteria. Even though these criteria need to be met, the existing rules on stating the debit and credit account (taking into consideration the changed mirror accounts) will still apply to CBF customers when entering settlement instructions.

The following mandatory matching fields are defined by T2S and have been introduced according to the specifications with T2S wave 1:

- Payment Type;
- Securities Movement Type;
- ISIN Code;
- Trade Date;
- Settlement Quantity;
- Intended Settlement Date;
- Delivering / Receiving Party BIC²;
- CSD of Delivering / Receiving Party²;
- Currency (only DvP / RvP);
- Settlement Amount (only DvP / RvP);
- Credit / Debit (only DvP / RvP).

Furthermore, T2S has defined “additional” and “optional” matching fields.

Additional matching fields cannot match with blank fields. If an additional matching field has been filled in by one party, it will also have to be filled in by the counterparty. It is therefore essential to commonly agree on the usage of these fields with the counterparty. For the settlement of cross-border transactions with the ESES markets the following additional matching fields will be relevant with the migration of these markets to T2S:

- Opt-Out Indicator;
- CUM / EX Indicator.

Optional matching fields can match with blank fields. If the field is filled in by both parties, the value must be identical, though. For the settlement of cross-border transactions with the ESES markets the following optional matching fields will be relevant with the migration of these markets to T2S:

- Common Trade Reference³;
- Delivering / Receiving Securities Account Number (SAC)⁴;
- Client of Delivering / Receiving CSD Participant (only BIC)⁵.

The processes relevant for matching are supported by CBF to facilitate “pre-matching”. CBF customers can therefore receive match notifications (in CASCADE Online or within the scope of the Straight-Through Processing (STP) as MT548 “:25D::MTCH//MACH”) and/or obtain an allegation report (MT578). An allegation is produced if the counterparty has entered an instruction against a CBF account that has not yet matched on T2S.

Furthermore, CBF recommends the usage of a Common Trade Reference (:20::COMM) that has been agreed on with the counterparty when submitting an instruction. This reference serves as an optional matching criterion and lowers the risk of so-called cross-matching.

² Filled in by CBF / Euroclear

³ As the matching is case sensitive, CBF recommends using capital letters only.

⁴ SAC of CBF in Euroclear will be filled in by CBF; SAC of the Euroclear participant is to be filled in by CBF customer and Euroclear participant according to the details described below.

⁵ BIC of the CBF customer (to be filled in by CBF customer and Euroclear participant according to the details described below) resp. Party 2 information of the Euroclear participant (no matching possible, as not in BIC format).

Use of T2S Party BICs and SACs

With the migration to T2S, a unique T2S Party BIC has to be stored for each CBF account master for the new settlement processes in T2S. For the settlement of cross-border instructions with the ESES markets this will already be necessary with the migration of these markets to T2S.

CBF has finalised the activation of T2S Party BICs for T2S wave 2 on 8 August 2015. The implemented updates of the account master data are already active in the CBF systems. Furthermore, CBF has started with the third activation phase of T2S Party BIC information. The last activation date for T2S Party BIC information will be 21 November 2015. Customers who wish to participate in settlement with the ESES markets from the migration of these markets to T2S onwards and have not yet delivered a T2S Party BIC to CBF are kindly asked to send back the [registration form](#) as soon as possible.

With the migration of the ESES markets to T2S and within the scope of the mapping services for instructions into these markets CBF is going to identify the T2S Party BIC corresponding to the CBF account master and forward it to the respective ESES market for further processing.

According to the specifications provided by Euroclear it is furthermore mandatory to address customers of Euroclear France, Netherlands and Belgium with a BIC in the Party 1 field of the settlement instruction. CBF therefore recommends that customers exchange the respective T2S Party BIC information with their French, Dutch and Belgian counterparties in good time. Should this information be missing, the instruction cannot be accepted by CBF, that is, the instruction will be rejected by CBF. Customers operating with CBF in Straight-Through Processing mode will receive an MT548 "REJT".

Furthermore, CBF recommends that customers agree on the usage of the T2S Security Account Number (SAC) of the Euroclear customers with their counterparty, as it is an optional matching criterion. Euroclear is going to inform their customers accordingly as well.

Please note that within the scope of the already communicated general implementation procedure participant information for the French, Dutch and Belgian market can no longer be retrieved via the "Bank Information – Alpha Search" service after the migration of Euroclear to T2S

Changes in the processing of Delivery versus Payment (DvP) instructions

With the migration of Euroclear to T2S the processing of Delivery versus Payment instructions will continue to be carried out via the RTGS accounts of CBF customers within the scope of the ASI procedure 2. The processing in Night-Time Settlement (NTS) within the scope of the ASI procedure 6 can no longer be supported after the migration due to the new cash management procedures. In rare cases instructions pending beyond the Intended Settlement Day (ISD) for which liquidity has already been provided via the ASI procedure 2 may be settled within the NTS. Due to the changes listed above, it is mandatory for DvP/RvP instructions to be sent with the indicator RTS-DVP = "J".

Changes in the use of Free of Payment (FoP) instructions without matching (dumps)

With the migration of the ESES markets to T2S the cross-border link with these markets will continue to support the current dump functionality that allows CBF customers to deliver, as well as receive, French, Dutch and Belgian securities free of payment without matching. The indication of an FoP instruction as a dump remains unchanged (UEB-Grund 200 in CASCADE Online, in Straight-Through Processing :22F::STCO//DLWM).

However, Euroclear announced that from a yet undefined point in time after its migration to T2S, participation in the dump service will be voluntary for Euroclear customers. CBF is going to subscribe to this service, meaning that all CBF customers will participate in the service as well. It is

however possible that certain Euroclear participant will no longer be able to send and receive dumps from this point in time onwards. CBF will communicate this to the customers in good time. Additionally, a list of participating Euroclear customers will be provided. Should a Euroclear participant not have subscribed to the service, dump instructions to this participant will be rejected by Euroclear with the reason "Counterparty not eligible" (ISO code "OTHR"). CBF will forward this ISO code in the rejection to the customers accordingly. CBF therefore recommends the customers to agree on the usage of dumps with the French, Dutch and Belgian market participants.

From T2S wave 3 onwards the support of the dump functionality in the cross-border link between CBF and the ESES markets will no longer be possible, as it is not compatible with the data scope chosen by CBF and Euroclear.

Adjustment of the Hold / Release process

The CBF customer can send settlement instructions (MT540 – MT 543) in either "Release" or "Hold" status. Instructions that were sent on "Hold" can be released via a corresponding MT540 – MT543 "NEWM". Moreover, the Hold / Release status of an instruction can be changed via a modification (MT530) before its final settlement.

With T2S a CBF customer can set its instructions on Hold ("Party Hold"), the counterparty is also allowed to set instructions on hold ("Counterparty Hold") and a CSD, for example, Euroclear, might obtain hold status ("CSD Hold") during processing. These three hold indicators can therefore be provided in the CBF status report (MT548).

- "CSDH" for CSD Hold
- "PREA" for Party Hold
- "PRCY" for Counterparty Hold

Adjustment of the cancellation process for valid instructions

With the migration of the ESES markets to T2S the cancellation process for valid instructions in the cross-border link with these markets will be based on the T2S regulations. Similar to the current process in this link T2S distinguishes between the following types of cancellation:

- Unilateral: Non-matched instructions can be deleted by the party who placed the instruction at any time. Instructions remaining in this status will be cancelled by T2S after 20 business days.
- Bilateral: Is required when an instruction has matched. Both counterparties have to agree to the cancellation.

CBF will report the cancellation with the existing status report (MT548). The reason codes listed below will be used for this purpose:

- :25D::IPRC//CAND :24B::CAND//CANI (Cancelled by ordering party)
- :25D::IPRC//CAND :24B::CAND//CANS (Cancelled by the system)
- :25D::IPRC//CANP :24B::CANP//CONF (Requesting cancellation by counterparty)
- :25D::IPRC//CPRC (Cancellation request from counterparty)

Please note that the Hold / Release process can be used when the counterparty has not yet agreed to a cancellation and the instruction is not to be settled until final clarification has been obtained. Instructions for which the cancellation has not been confirmed by the counterparty and which show the status "Release" will be transferred to the settlement process on the Intended Settlement Day (ISD), meaning settlement can take place.

Changes to the processing of corporate actions

Income payments

CBF will use a Dedicated Cash Account (DCA) for the processing of income payments. Under the terms of the service agreement with Euroclear income payments will be made available on the payment date until 12:00 at the latest. Therefore CBF customers will continue to have the payment credited to their RTGS account after settlement of the Direct Debit 2 (DD2 - 13:45) and Direct Debit 3 (DD3 - 15:15) processing cycle. The current processes for communicating income information by means of MT56x remain unchanged.

Market Claims

Once a market claim has been successfully settled on T2S, CBF will receive the settlement confirmation from the respective ESES market. The following processes will be carried out based on this information:

1. The amounts are settled as part of the DD settlement cycles.
2. A message is produced in MT566 format – confirmation of the corporate action.
3. The securities are moved using CASCADE order type “AA99” and reason for transfer “507” OTC KOMPENSATION.

The results of the processing will continue to be forwarded to CBF customers. On the one hand, as a settlement confirmation (MT54x – for movement of securities) and on the other hand via the corporate actions report (MT56x).

Transformations

Once a transformation has been successfully settled on T2S, CBF will receive the settlement confirmation from the respective ESES market. The following processes will be carried out based on this information:

1. The amounts are settled as part of the direct debit settlement cycles.
2. A message is produced in MT566 format – confirmation of the corporate action.
3. The securities are moved using CASCADE order type “AA99” and reason for transfer “501” CORPORATE ACTION UMTAUSCH.

The results of the processing will continue to be forwarded to CBF customers. On the one hand as a settlement confirmation (MT54x – for movement of securities) and on the other hand via the corporate actions report (MT56x).

Adjustment of settlement messages in ISO 15022 format

The functional changes described in the chapters above lead to adjustments in the ISO 15022 messages:

- MT540/MT541/MT542/MT543/MT544/MT546/MT547: for the receipt and the delivery of securities, as well as for realignments
- MT548: regarding the status messages for the Hold/Release, the matching and the bilateral cancellation
- MT578: for the reporting of allegements

The following examples show the party fields to be used for a delivery instruction.

If only one party level (Euroclear participant) is intended to be provided:

MT542/3: CBF customer delivers – one party level	
FIAC SAFE	:97A::SAFE//xxxx0000 (debit account in CASCADE)
REAG	:95P::REAG//SICVFRPPXXX (Euroclear France) :97A::SAFE//45000000 or :95P::REAG//NECINL2AXXX (Euroclear Netherlands) :97A::SAFE//44990000 or :95P::REAG//CIKBEBBXXX (Euroclear Belgium) :97A::SAFE//44980000
BUYR	:95P::BUYR//BANKFRPPXXX (Party 1: BIC Euroclear participant) :97A::SAFE//SICVBANKFRPPXXX1000L10 (Party 1: SAC Euroclear participant – optional)

If additionally a second party level (for example own customer and customer of the Euroclear participant) is intended to be provided:

MT542/3: CBF-customer delivers – two party levels	
FIAC SAFE	:97A: :SAFE//xxxx0000 (debit account in CASCADE)
SELL	:95Q: :SELL//Text (Party 2 information, for example own customer)
REAG	:95P: :REAG//SICVFRPPXXX (Euroclear France) :97A: :SAFE//45000000 or :95P: :REAG//NECINL2AXXX (Euroclear Netherlands) :97A: :SAFE//44990000 or :95P: :REAG//CIKBEBBXXX (Euroclear Belgium) :97A: :SAFE//44980000
RECU	:95P: :RECU//BANKFRPPXXX (Party 1: BIC Euroclear participant) :97A: :SAFE//SICVBANKFRPPXXX1000L10 (Party 1: SAC Euroclear participant – optional)
BUYR	:95Q: :BUYR//Text (Party 2 information, for example customer of the Euroclear participant)

The definition of the counterparty details in Party Level 1 and 2 given above is based on the current agreement with Euroclear. It is subject to verification and needs to be confirmed in the testing phases between Euroclear and CBF that are yet to take place.

If necessary, customers will be informed about potential changes.

Please note that separate information regarding realignments with CBL will be sent into the market as soon as the final agreement has been reached with all parties involved. Until further notice, it is the assumption that in instructions to CBF the BIC (in Party 2) as well as the account (in free text with prefix "CTC/") of the counterparty has to be delivered in Creation. Furthermore it is recommended here as well to use a common reference that both parties have agreed on.

Changes to the entries in party fields in CASCADE Online

Similar to the changes described above the party fields in CASCADE Online need to be filled in as follows.

If only one party level (Euroclear participant) is intended to be provided:

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TRAN: KVEE FC: WE SB:

AUFTRAGSABWICKLUNG          WP-UEBERTRAG / SETL.PTY-ERFASSUNG      ERFASSUNGSSTATUS

          PRIMANOTE: 100      AUFTNR:          1      WKN: I FR0000120628

SETTL PARTY - LIEFERER
P1: BANKDEFFXXX _____
P2: _____
P3: _____
P4: _____
P5: _____

SETTL PARTY - EMPFAENGER
P1: BANKFRPPXXX SICVBANKFRPPXXX1000L10
P2: _____
P3: _____
P4: _____
P5: _____

-- ID-KZ: 7930000001 -- PW:          ----- B793058S -- 29/03/16 -- 10:00:00 --

PF3:Verarbeitung PF4:Abbruch PF6:Verarb+Neu PF7:Zurück
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If additionally a second party level (for example own customer and customer of the Euroclear participant) is intended to be provided:

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TRAN: KVEE FC: WE SB:

AUFTRAGSABWICKLUNG          WP-UEBERTRAG / SETL.PTY-ERFASSUNG      ERFASSUNGSSTATUS

          PRIMANOTE: 100      AUFTNR:          1      WKN: I FR0000120628

SETTL PARTY - LIEFERER
P1: BANKDEFFXXX _____
P2: TXT PARTY 2 INFORMATIONEN
P3: _____
P4: _____
P5: _____

SETTL PARTY - EMPFAENGER
P1: BANKFRPPXXX SICVBANKFRPPXXX1000L10
P2: TXT PARTY 2 INFORMATIONEN _____
P3: _____
P4: _____
P5: _____

-- ID-KZ: 7930000001 -- PW:          ----- B793058S -- 29/03/16 -- 10:00:00 --

PF3:Verarbeitung PF4:Abbruch PF6:Verarb+Neu PF7:Zurück
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Customer simulation for the functional modifications for the Euroclear markets France, Netherlands and Belgium on T2S

Prior to the migration of the ESES markets to T2S CBF offers the customers the opportunity for simulation. The simulation is scheduled to take place from 2 – 23 December 2015. Further details regarding the simulation will be provided in a Customer Simulation Notification. You will find this information on our website www.clearstream.com under Products and Services / Connectivity / CASCADE / [Testing and Simulation](#).