

Clearstream Banking

Supporting Material

T2S Change Request 671

“Storage and reporting of the Beneficial Ownership Indicator for Settlement Instructions in T2S”

March 2020

T2S Change Requests – CR T2S-0671-SYS

Beneficial Ownership Indicator – Requirements and scope

Background

- Portfolio transfers from bank A to bank B must provide the information whether there is a change of beneficial ownership or not. This is against the background of MIFIR regulation
- The change of the ownership must be reported within one business day whereas account transfers without change of beneficial ownership must not be reported
- T2S will update the instruction management indicating the change of the ownership

T2S Scope

- When the “Beneficial Ownership flag” is set in a sese.023, T2S will report the information in the following outbound messages:
 - Allegements (sese.028)
 - Status Advise (sese.024)
 - Settlement Confirmation (sese.025)
 - Securities Transaction Report (semt.017)¹⁾
 - Securities Transaction Allegement Report (semt.019)¹⁾
 - Securities Transaction Query Response (semt.027)¹⁾

Status

- The CR has been accepted for T2S Release 4.0
- The implementation is scheduled for the Release Weekend on 15 June 2020

1) This query is not used by CBF

Beneficial Ownership Indicator

CBF service offering – Instruction management in ICP mode

<p>Current situation</p>	<ul style="list-style-type: none"> – With the OneClearstream project, it was required to introduce a field to inform about the beneficial ownership. Hence, CBF already introduced the “Beneficial Ownership flag” (:22F::BENE//) – Currently, this detail is forwarded to T2S and can be used for further processing by the platform once the CR671 is launched 	<p><u>Please note:</u></p> <ul style="list-style-type: none"> – The service is also offered via CASCADE Online Functionality (HOST / PC)
<p>Functional cornerstones</p>	<ul style="list-style-type: none"> – In future, CBF can support the “Beneficial Ownership flag” provided via ICP and DCP mode – The “Beneficial Ownership flag” can be entered / transmitted for instruction against payment (DvP and RvP, DwP and RvP) and free of payment (DFoP and RFoP) – In instructions towards T2S Out-CSDs (DTCC, SIX SIS) the flag cannot be transmitted – The CBF „Passive Matching service” will consider the given indicator in DFoP – The market standard regarding the usage of up to five Party Levels is not impacted – CBF will re-use the existing functionality for inbound and outbound messages 	<ul style="list-style-type: none"> – Customers acting in DCP mode: <ul style="list-style-type: none"> a) must consider that the related XSDs will be updated b) will receive the related CBF reporting, if the „YCON“ flag is used – The field “Beneficial Ownership” will not be modifiable in T2S
<p>CBF instruction handling</p>	<ul style="list-style-type: none"> – Supported message types: <ul style="list-style-type: none"> – Inbound: MT540 to MT543 – Outbound : MT536, MT537, MT544 - MT548, MT578 and MT586 – Definition for the usage of “Beneficial Ownership flag” <ul style="list-style-type: none"> – :22F::BENE//YBEN or – :22F::BENE//NBEN – CBF already sends the “Beneficial Ownership flag” to T2S. In future, CBF will deliver / report the flag as indicated by T2S 	

Usage of Beneficial Ownership Indicator

CBF instruction management

Applicable instruction type	Potential usage of the indicator "BENE"	CBF Implementation Approach
Domestic OTC	Each OTC instruction can be used for a portfolio transfer. There is no restriction with regard to payments.	Customers can provide the flag on their demand.
Cross-border OTC		
Stock Exchange Trades	LION trades and CCP instructions created on behalf of the trading location.	CBF and ECAG are not requested to flag such instructions. The "Beneficial Ownership" field will show no value, that it will be "blank".
CASCADE-RS Account Transfer (Depotübertrag)	In general, an external account transfer shall not be used as portfolio transfer and shall not change the beneficial owner.	These instructions are recommended to be set up with the flag "NBEN". Such instructions transmitted via A2A connectivity in ICP mode, CBF shall set "NBEN" as default, if the instruction shows no indicator (field is blank).
Market claims, reverse claims and transformations	The "Beneficial Ownership" indicator provided in the underlying instruction will be copied / considered while creating the related instruction.	This rule shall be applicable for any instruction created by KADI and Custody. The related implementation is scheduled for November 2020.
Pfandfreigabe (release of a pledge)	Securities are always returned to the owner, hence there will be no change in the ownership.	CBF Operations is asked to set up the requested release instruction using the flag "NBEN".

