Practice reference: MS-MATCH-CRITE-01

Settlement instruction parties – Mandatory matching criteria

Versioning	Version	2.2
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I. DESCRIPTION OF THE EXISTING PRACTICE & OF THE IMPACTS

Description of the existing practice	A settlement instruction requires the mention of the identification of settlement parties.
	From a domestic perspective, Euroclear's institution code ('code affilié') is sufficient to identify the counterparty, the Central Securiries Depository) being by nature Euroclear France.

Description of the T2S impact	In the context of T2S:
	• On one hand, a security can be safekept in any CSD that makes it eligible, requiring the identification of the CSD and elevating it to a mandatory matching criterion.
	• On the other hand, the institution code ('code affilié') is a local notion to be replaced in settlement instructions in T2S by the BIC11 which is mandatory. In a cross-CSD context, a counterparty will thus be identified through its BIC11, which is also evelated to a mandatory matching criterion.
	• FInally, a third level of matching is proposed as an option, in order to reduce confusion between two instructions with the same characteristics and the same CSD participants, but for different end clients. This level of matching is made through the identification of the client of the CSD participant, provided that both counterparties communicate the information. This level of matching is the object of a separate market practice (MS-MATCH-CRITE-02)

Description of the major issue	The indication of settlement parties ensures proper settlement in the appropriate safekeeping place (CSD, mandatory field) at the appropriate counterparty (CSD participant, mandatory field) and potentially for the appropriate client of the latter (client of the CSD participant, optional field).
	The gathering by the custodian of the information therefore depends of the ability of the client to provide relevant and exhaustive data :

	• ad minima for the safekeeping place (CSD) and the CSD participant to whom the securities should be delivered, or from whom the securities should be received. Information on settlement parties must be provided by both parties in their respective instructions, for themselves as well as for their counterparty (delivering participant of the CSD, CSD of the delivering party – CSD of the receiving party, receiving party of the CSD). In T2S, both the CSD and the CSD participant are **mandatory data** required for matching. If the data 'CSD', provided by the client of a participant to a CSD, is not present in the instruction, it should be inferred by the participant to the CSD or asked for to its client. As regards the identification of the participant to the CSD, an Indirect Connected Participant to T2S (ICP) can provide the institution code ('code affilié') as an identifier, Euroclear France ensuring the transcodification with the relevant BIC11 for settlement between its participants. More specifically, both codes will be presented on Euroclear France' GUI available from the launch of T2S. This identification involves a settlement place at the Euroclear CSD, and is thus required for pure domestic settlement. A Direct Connected Participant (DCP) will be required to provide the BIC11 of the participant of the CSD of its counterparty. The main issue is a change in staff habits, to ensure the transition to: • the provision of the identification of the CSD in order to identify the appropriate safekeeping place in T2S, a given participant possibly having several safekeepers (several CSDs), by instrument, or even for the same instrument, • the use of the BIC11 (new information) instead of the institution code (generally known to him). As a reminder, the institution code will still be of use for ancillary services provided by Euroclear France, such as SBI, TPI, BRN or the management of French money-market instruments ('TCN').

Description of the roles and responsibilities of the actors involved (OPTIONAL)	

Workflows (OPTIONAL)	

Links with other market practices	- MS-MATCH-CRITE-02 - MS-MATCH-CRITE-03 - RE-CPTY-AGENT-01

II. RECOMMENDED MARKET PRACTICE

Recommended practice	The information 'CSD of the counterparty' must be input by default in the settlement instructions.
	This requirement clearly relies on the participant to CSD who is required to systematically provide the information in its instructions.
	The provision of this information by the client of the CSD participant in its instructions is the recommendation of the French market. The implementation of this recommendation remains nonetheless dependant on the participant, who can choose in its relation with its client to infer it, if he is in the capacity to do so, or systematically ask for it to its client.
	The BIC11 should be preferred as much as possible in the relations between parties. Failing that, the use of the institution code can be maintained for proprietary services (like SBI). Additionally, by nature, when using Euroclear France's proprietary messaging, Euroclear France's rules should be abided by.
	It should be noted that Euroclear France does not consider in the short-term a modification in its IT systems to ensure the systematic use of the BIC-11. In this respect, in a first step, domestic relations between non-T2S participants will rely on the identification of the CSD participant via the institution code as long as IT systems from Euroclear France have not evolved. By contrast, the provision of the BIC-11 will be required for cross-CSD operations.
	This recommendation must be taken into account and relayed to other market workgroups involved in the design of codes of conduct or best practices where the notion of institution code is used.
Reasons for the choice	**Identification of the CSD (BIC 11)**
	Inferring data on settlement parties involves an initialisation phase, where the client must provide rules on how to infer SSIs based on a set of criteria (counterparty, market, etc.). These rules can change over time or based on experience from T2S.
	By default, SSIs are based on information provided by the client to its custodian, with a possible evolution over time.

	Identification of the CSD participant (BIC11)
	The BIC11 should be preferred as much as possible as such information will become a standard in cross-CSD settlement. The reliance on the institution code ('code affilié') for domestic relations is justified as long as Euroclear France does not require it across its systems. The update of Euroclear France's systems will have a significant impact on the French market and require a joint implementation. The market has no visibiliity for the time being on such project.
	New participants in ESES will be granted an institution code as long as ESES systems will not have fully switched to the BIC11. The institution code will thus still be of use as a general rule.
	The table of correspondence between institutions codes and BIC11 will be available on Euroclear France's website.

Description of the roles and responsibilities of the actors involved (OPTIONAL)	

Workflows (OPTIONAL)	

III. IMPLEMENTATION

Implementation timeline	Before the migration to T2S	Upon go live on T2S	After the migration to T2S
	☐ Date: _____	☑ Date: 12/09/2016	☐ Date: _____