

Portfolio transfers

Versioning	Version	2.0
	Publication date	August 30th, 2016

I. DESCRIPTION OF THE EXISTING PRACTICE & OF THE IMPACTS

Description of the existing practice	<p>Today, portfolio transfers are processed using ‘unilateral’ free of payment instructions, complemented by a bilateral exchange of additional information agreed upon by both parties.</p> <p>This practice is described in CFONB communication n°20150024 of May 5th, 2015, in force for portfolio transfers, complementing and referring to CFONB communication n°2006378 of November 14th, 2006.</p> <p>As a reminder, when a free of payment instruction is issued by Euroclear France, the date of purchase mentioned in the ‘Bordereau de Référence Nominative’ or BRN is integrated in the relevant field in the free of payment instruction.</p> <p>To be noted that banks usually avoid to generate portfolio transfers during corporate action periods. If such is not the case, the management rule ‘trade date=settlement date’ allows to avoid the generation of market claims (cf. CFONB communication n°2010161 of June 23rd, 2010).</p>
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Description of the T2S impact	<p>The below mentioned elements correspond to the period that will immediately follow the launch of T2S, during which Euroclear France’s participants will all be using the service ‘Free of Payment Without Matching’ (=already matched).</p> <p>This practice does not apply in cases where the portfolio transfer involves the participant of another CSD who, by nature is not participant in Euroclear France.</p> <p>In T2S, settlement instructions are subject to matching. Existing ‘unilateral’ free of payment instructions will be replaced by ‘Free of Payment Without Matching’ for participants using the service from Euroclear, or to be matched free of payment instructions in other cases.</p> <p>Instructions in T2S do not present field to specify the date of purchase or other data described in CFONB communication n° 20150024 of May 5th, 2015.</p>
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Practice reference: MS-SETTL-FRANCO-02

	<p>To be noted that any 'unilateral' free of payment instruction must mention an account nature, transferred identically to other types of instructions.</p> <p>Portfolio transfers:</p> <p>Securities transferred from account nature '000' to '000', or from account nature '001' to '001'.</p>
<p>Description of the major issue</p>	<p>French institutions look for a level of automation equivalent to that observed with the use of 'unilateral free of payment' instructions, and look to allow participants to transfer fiscal data necessary to their activities (data relating to capital gains and to the requirement to notify capital gains of French origine by non-resident clients).</p> <p>On the longer term, the existing market practice in France will need to be reviewed when the European practice currently being finalized will be implemented.</p> <p>The objective is to keep the benefits of the service 'Free of Payment without matching' from Euroclear, while allowing for the transfer of all data required for a portfolio transfer as scheduled in the European market practice.</p>
<p>Description of the roles and responsibilities of the actors involved (OPTIONAL)</p>	
<p>Workflows (OPTIONAL)</p>	<p>The functioning and exhaustive data to be used are described in Euroclear's '<i>ESES matching and settlement</i>' Detailed Service Description.</p> <p>For instructions involving participants of other CSDs, the user guides to Euroclear Connect for Screens and to the T2S GUI must be considered.</p>
<p>Links with other market practices</p>	<p>-</p>

II. RECOMMENDED MARKET PRACTICE

<p>Recommended practice</p>	<p>The below mentioned market practice specifies the procedure to be applied from the launch of T2S.</p> <p>Scope</p> <p>The object of this recommendation is to allow institutions to maintain the current high level of automation. Yet it does not force other market players to:</p> <ul style="list-style-type: none"> • use a practice based on instructions without matching (based on the service provided by Euroclear France)
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Practice reference: MS-SETTL-FRANCO-02

- process the same information in the same fields, in case of instructions without matching.

When both parties have agreed upon a transfer of fiscal data from date to date, portfolio transfers will be executed using the service 'Free of Payment without matching', complemented by a bilateral exchange of additional information.

This practice is described in CFONB communication n°20150024 of May 5th, 2015, in force for portfolio transfers, complementing and referring to CFONB communication n° 2006378 of November 14th, 2006.

Recommended market practice:

- Use Euroclear's 'Free of Payment without matching' service which will be available using ISO 15022, ISO 20022 as well as using Euroclear Connect for Screens.
- Using the appropriate fields to mention account structures of the delivering/receiving parties. By default, the L1 0 sub-account must be used if no account is mentioned by the counterparty.
- Fill the client name in the field 'Recipient name'
- Fill the French bank account number in the field 'RIB'
- Fill the date of purchase in the field 'external comment'

General principles:

- The 'Hold' functionality should not be used,
- The 'partial settlement' functionality should not be used,
- Use of 'Free Of Payment without Matching' instructions
 - Using the 'transaction type' OWNE (in ISO 20022 or on the GUI), or DLWM (in ISO 15022), allowing for the unequivocal identification of 'Free Of Payment Without Matching' instructions,
 - Via an 'already matched' instruction (matching status 'MACH')
 - Restricted to an Indirect Connectivity use via ESES (no possibility to send these instruction types directly to T2S as they will be rejected),
 - These instructions not being eligible to the automatic detection of market claims and transformations (awaiting correction of defect #27092), to avoid generating market claims, the trade date must be equal to the settlement date.

Data input

Euroclear France's interface will allow to choose on 'Euroclear Connect for Screens' between the input of a French bank account structure ('RIB') or an IBAN in the field 'IBAN'.

The recommendation on this field is to systematically prefer the use of the prefix 'ROB' and the input of the RIB of the beneficiary, and avoid using the prefix 'IBB' related to the input of an IBAN. If these are not used, the custodian of the beneficiary will have difficulties in interpreting the data, involving potential risks in the integration of the transfer.

The client should communicate to the original bank the French bank account number 'RIB' to the receiving bank. It should be mentioned as the transfer instruction is input

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(cash account or securities account depending on the recipient bank). This data can be obtained from the client, based on information provided when the account was opened by the receiving bank.

RIB in Free of Payment Without Matching

Table of management rules

Prefix	RIB	IBAN	Consistency check	Market practice
ROB (23 characters)	Input		Prefix ROB + account number in 'RIB' format	Compliant with the recommendation
IBB (34 characters)	Input		Prefix IBB + account number in 'RIB' format	Not compliant with the recommendation
IBB (34 characters)		Input	Prefix IBB + account number in 'IBAN' format	Not compliant with the recommendation

To be noted that in cases of non compliance with the market practice, namely IBB+RIB and IBB+IBAN, information will be transferred and will have to be interpreted anyway, in the absence of consistency check by Euroclear today, in order to avoid reloads.

The data 'RIB' must be transferred in Free of Payment without matching instructions.

- In the fields 'RIB' via Euroclear Connect for Screens (via the combo box IBAN/RIB). **This functionality should be delivered later. In transition, when instructions are input on Euroclear Connect for Screens (hereafter 'EC4S'), the data RIB will need to be input in the field IBAN and will be transferred in the field IBB. In case of upload, the data RIB will be transferred in the field ROB but will not be visible on EC4S.**
- The instructing party must mention the characteristics 'Commentaire ADD', 'Rib (ROB)' and 'Iban (IBB)' in the tag <PtyCtctDtIs> of the block <RcvgSttlmPties><Pty1><AddtlInf> in iso 20022 or in the sequence REAG in iso 15022.
- To be noted that this data is not presented in ISO 20022 messages from T2S, but is presented by Euroclear in the reporting in ICP mode.

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
Instruction	MT 542	Sese.023 avec 'Payment = FREE'	RIB
	:70C::PACO (SETPRTY) + ROB	PartyContactDetails <PtyCtctDtIs> + ROB	
Settlement confirmation	MT544 / MT546	Sese.025	RIB
	:70C::PACO + ROB	PartyContactDetails <PtyCtctDtIs> + ROB	

Example:

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
instruction	MT 542	Sese.023	/ RIB
	:70C::PACO//ROB/300030250008050002204	<PtyCtctDtIs> ROB/300030250008050002204<PtyCtctDtIs>	
Settlement confirmation	MT544 / MT546	Sese.025	/ RIB
	:70C::PACO//IBB ou ROB/300030250008050002204	<PtyCtctDtIs>ROB ou IBB/300030250008050002204<PtyCtctDtIs>	

Practice reference: MS-SETTL-FRANCO-02

Identification of the client in Free of Payment without matching instructions

The name of the client must be input in Free of Payment without matching instructions:

- In the field 'Recipient name' via EC4S, or
- The instructing party must mention the characteristics 'Commentaire ADD', 'Rib (ROB)' and 'Iban (IBB)' in the tag <PtyCtctDtIs> of the block <RcvgSttlmPties><Pty1><AddtlInf> in iso 20022 or in the sequence REAG in iso 15022.
- To be noted that this data is not presented in ISO 20022 messages from T2S, but is presented by Euroclear in the reporting in ICP mode.

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
Instruction	MT 542	Sese.023 avec 'Payment = FREE'	Recipient name
	:70C::PACO (SETPRTY) + ADD	PartyContactDetails <PtyCtctDtIs> + ADD	
Settlement confirmation	MT544 / MT546	Sese.025	Recipient name
	:70C::PACO + ADD	PartyContactDetails <PtyCtctDtIs> + ADD	

Example :

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
instruction	MT 542	Sese.023	Recipient name
	:70C::PACO/ /ADD/DUPO NT	<PtyCtctDtIs>ADD/DUPONT<PtyCtctDtIs>	
Settlement confirmation	MT544 / MT546	Sese.025	Recipient name
	:70C::PACO/ /ADD/DUPO NT	<PtyCtctDtIs>ADD/DUPONT<PtyCtctDtIs>	

Date of purchase in Free of Payment without matching

The date of purchase must be mentioned :

- In the comment field 'TPxxxx' ('TP' as in *Transfert de Portefeuilles* or portfolio transfers, and xxxx for the date) according to the rules described in CFONB communication #20150024 of May 5th, 2015.
- Via the use of the field 'External comment'
- This data is not presented in ISO 20022 messages from T2S
- **In the specific case of securities transfers for a non-resident clients**, and considering declarative obligations relative to capital gains of French origine on stock option exercises (SO), allotment of free shares (AGA), subscription warrants for founders shares (BSPCE), the acronym 'SO' must be input in the external comment, after mentioning the date of purchase (ex: TPxxxxSO).
- Notes:
 - The field 'external comment' is limited to 50 characters on EC4S .This limit must be respected in order to be able to read it on screen.
 - Comments with the prefix CTC and CFC via STP will not be visualized in EC4S. the COM prefix must be used.

**T2S Market Practice Adaptation
Workgroup
Market Practice Sheet**



Practice reference: MS-SETTL-FRANCO-02

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
instruction	MT 542	Sese.023 avec 'Payment = FREE'	External comments
	:70E::SPRO (TRADDET) + COM	SettlementInstructionProcessingAdditionalDetails <SttlmInstrPrcgAddtlDtls> + COM	
Settlement confirmation	MT544 / MT546	Sese.025	External comments
	:70E::SPRO//COM	SettlementInstructionProcessingAdditionalDetails <SttlmInstrPrcgAddtlDtls> + COM	

Examples :

	ISO 15022	ISO 20022 via Euroclear	Euroclear Connect
instruction	MT 542	Sese.023	External comments
	:70E::SPRO//COM/TP2015	<SttlmInstrPrcgAddtlDtls>COM/TP2015<SttlmInstrPrcgAddtlDtls>	
Settlement confirmation	MT544 / MT546	Sese.025	External comments
	:70E::SPRO//COM/TP2015	<SttlmInstrPrcgAddtlDtls>COM/TP2015<SttlmInstrPrcgAddtlDtls>	

Specific case of portfolio transfers on securities subject to a distribution falling under the declarative obligation of capital gains of French origin.

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
instruction	MT 542	Sese.023	External comments
	:70E::SPRO//COM/TP2015SO	<SttlmInstrPrcgAddtlDtls>COM/TP2015SO<SttlmInstrPrcgAddtlDtls>	
Settlement confirmation	MT544 / MT546	Sese.025	External comments
	:70E::SPRO//COM/TP2015SO	<SttlmInstrPrcgAddtlDtls>COM/TP2015SO<SttlmInstrPrcgAddtlDtls>	

NB: the data Date of purchase and Purchase price are input in two different fields.

Account structures in Free of Payment Without Matching

Participants will transfer the account structure nature and the account natures if Free of Payment without matching instructions.

- Transfers are made from account nature '000' to account nature '000', or from account nature '001' to account nature '001'
- As a reminder, the account structure used can be that of ESES, or that of T2S.

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
Instruction	MT 542	Sese.023	Counterparty's account / NDC
	:97A::SAFE	Pty1/SfcpgAcct	
Status	MT548	Sese.024	NDC
	:97A::SAFE	Pty1/SfcpgAcct	
Settlement confirmation	MT544 / MT546	Sese.025	NDC
	:97A::SAFE	Pty1/SfcpgAcct	

Practice reference: MS-SETTL-FRANCO-02

Example with account nature '001':

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
Instruction (ESES format)	MT 542	Sese.023	Counterparty's account / NDC
	:97A::SAFE//056/L10/0	Pty1/SfkgpAcct <Id>001/L10/0</Id>	
Instruction (T2S format)	MT 542	Sese.023	Counterparty's account / NDC

Average purchase price in Free of Payment without matching

By ISIN code, and for the whole of the portfolio, the following data must be transferred:

- The average purchase price for the securities (PAMP) via the field 'valorized price'
 - 0 – Unknown
 - 1 – Effective price
 - 2 – Adjusted quote
 - 3 – Average quote
- This data is not presented in ISO 20022 messages from T2S.

It is important to note that purchase prices:

- Must be provided with euro cents in STP messages,
- Must under no circumstance present dots (.) or commas (,) in STP messages, as T2S does only accept numerical characters in this field as indicated in Euroclear data dictionary,
- Are input with 2 decimals in EC4S. the data is then multiplied by a factor of 100 to be converted in euro cents in STP messages.

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
instruction	MT 542	Sese.023	Valorized price & Type of purchase type
	:70E::SPRO (TRADEDET) + CBL & CBT	SettlementInstructionProcessingAdditionalDetails <SttlInstrPrcgAddtlDtls> + CBL & CBT	
Settlement confirmation	MT544 / MT546	Sese.025	Valorized price & Type of purchase type
	:70E::SPRO// + CBL & CBT	SettlementInstructionProcessingAdditionalDetails <SttlInstrPrcgAddtlDtls> + CBL & CBT	

Examples :

	ISO 15022	ISO 20022 via Euroclear	EuroclearConnect
instruction	MT 542	Sese.023	Valorized price & Type of purchase type
	:70E::SPRO//CBL/1234567890123 4563 :70E::SPRO//CBT/1	<SttlInstrPrcgAddtlDtls> CBL/12345678901234563<SttlInstrPrcgAddtlDtls> <SttlInstrPrcgAddtlDtls> CBT/1<SttlInstrPrcgAddtlDtls>	
Settlement confirmation	MT544 / MT546	Sese.025	Valorized price & Type of purchase type
	:70E::SPRO//CBL/1234567890123 4563 :70E::SPRO//CBT/1	<SttlInstrPrcgAddtlDtls> CBL/12345678901234563<SttlInstrPrcgAddtlDtls> <SttlInstrPrcgAddtlDtls> CBT/1<SttlInstrPrcgAddtlDtls>	

Additional elements/references:

**T2S Market Practice Adaptation
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Market Practice Sheet**



Practice reference: MS-SETTL-FRANCO-02

	<ul style="list-style-type: none"> • A specific screen will allow the mass-input of Free of Payment without Matching instructions on multiple ISIN codes. • A change request is under ongoing analysis to use this functionality with the indication of the date of purchase on the mass-input screen. • The mass-input screen will not allow for multiple ISIN codes with different purchase prices. <p>Alternative: As an exception, the custodian can send an instruction in T2S with the instruction type 'OWNI' when both counterparties use the same institution code, or use different institution codes but the delivering agent has a privilege on the institution code of the counterparty. In this case, the transfer of securities will be operated using standard 'already matched' instructions. For all other question on the management and reporting of these instructions, please refer to Euroclear's 'ESES matching and settlement' Detailed Service Description. To be noted that some data in the instruction will not be presented in the reporting, on the contrary to an 'OWNE' instruction.</p>
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Description of the roles and responsibilities of the actors involved (OPTIONAL)	
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Workflows (OPTIONAL)	
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III. IMPLEMENTATION

Implementation timeline	Before the migration to T2S	Upon go live on T2S	After the migration to T2S
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Date: _____	Date: 12/09/2016	Date: _____