

Customer information on Monte Titoli's implementation activities on T2S

Clearstream Banking AG, Frankfurt¹ informs the customers about the upcoming activities concerning the implementation and migration of Monte Titoli to T2S on

Monday, 31 August 2015

Functional modifications for the settlement

Based on the result of the T2S CSD Steering Group from 11 June 2015, Monte Titoli is going to migrate to the settlement platform T2S on 31 August 2015. We would like to inform you that CBF will conduct its transition tasks for the cross-border link with Monte Titoli in Italian securities on that same day.

The following functional and organisational measures for cross-border instructions in the Italian market will be implemented with Monte Titoli's migration to the T2S platform:

- Change of account number for Monte Titoli;
- Change of settlement timeline for correctly routed orders;
- Use of CASCADE order type AA01 and AA02 for Free of Payment (FoP) instructions;
- Inclusion of other T2S matching criteria;
- Adjustment to the cancellation process for correctly routed orders;
- Use of reservation entries in favour of the CASCADE sub-account /995;
- Adjustment of settlement notifications in ISO 15022 format.

The details regarding the functional modifications based on the existing implementation guidelines from Monte Titoli were announced by CBF in the Advance announcement of changes as well as in the detailed notification for the CBF Release information in April and June 2015. As announced, these changes will be applied on 31 August 2015.

Please note that during the implementation period modifications have been identified for the following enhancements. It is necessary for these details to be implemented in our customers' processes for the start of production on 31 August 2015.

- Use of T2S Party BICs;
- Forwarding of rejections from Monte Titoli and T2S;
- Hold / Release Process for instructions from corporate actions;
- Changes in the planned processing of market claims and transformations.

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

CBF announced at the beginning of June 2015 the requirements for the modified use of the Ex-Coupon / Cum-Coupon and OPT-OUT flag within the scope of the Advance announcement of changes for the CBF Release in November 2015. The implementation of these flags will remain unaffected until the implementation day 31 August 2015. As announced, it will become active with the software update of CASCADE in November 2015.

Use of T2S Party BICs

With the migration to T2S, a unique T2S Party BIC for each CBF account master must be stored for the new settlement processes in T2S. According to the requirements of Monte Titoli, this T2S Party BIC will already be necessary for the settlement of cross-border instructions with the Italian market starting with its migration to T2S.

CBF has finalised the activation of T2S Party BICs for T2S Wave 1 on 11 June 2015. The implemented updates of the account master data are already active in the CBF systems. Additionally, CBF has started with the second activation phase of T2S Party BIC information. The next activation date will be 8 August 2015. All CBF accounts with the new T2S Party BIC information stored for their account masters will be ready to actively take part in settlement with the Italian market.

For instructions sent to the Italian market after the migration of Monte Titoli to T2S, CBF is going to identify the T2S Party BIC as part of the mapping service. The T2S Party BIC corresponding to the account master will be sent to Monte Titoli for further processing.

Monte Titoli published a participant list of their customers. The "List of Participants in T2S" is currently available in version 1.10 under the following link on Monte Titoli's website http://www.lseq.com/sites/default/files/content/ELENCO%20PARTECIPANTI%20A%20T2S%20v1.1_0.pdf

Amongst others, this participant list provides instructions on

- TIPO NEGOZIAZIONE/DEALING CAPACITY
indicating whether the account of the participant has been set up for the role of a trading member (T), settlement agent (P) or for both roles (B; trading member and settlement agent).
- CONTO REGOLAMENTO DI DEFAULT/DEFAULTSETTLEMENT ACCOUNT
stating whether the account has been defined as a default settlement account (BIC11). If it has been flagged as such, the 7-digit Monte Titoli securities account number does not have to be indicated.
- SAC T2S
displays the T2S Securities Account that is set up by Monte Titoli in the course of the migration to T2S. The last 7 digits of this SAC information represent the securities account number of the Monte Titoli customer. According to Monte Titoli's definition this number needs to be provided in the instructions for Party Level 1.
- PARTY BIC (PARTY1)
this is a mandatory field and needs to be enclosed in all the instructions that CBF will send into the Italian market.
- CODICE BIC/BIC CODE (PARTY2)
this value (BIC) is mandatory if the account is supposed to be addressed as trading member (T) or trading member/settlement agent (B) in Monte Titoli.

Please note that this information is essential for a successful instruction into the Italian market. We therefore kindly ask our customers to jointly agree upon the standing settlement instructions with the Italian market participants.

Based on the information on the usage of Party Level 1 and 2 that we published in December 2014, the following table provides further details regarding the party information.

Definitions for the mandatory provision of party information for cross-border instructions with the Italian market using the settlement account 4851:

Tipo negoziazione / dealing capacity	Party BIC (Party1)	Conto regolamento di default / default settlement account	Codice BIC/BIC (Party2)
No flag in CASCADE	CASCADE Party1 – BIC (mandatory field)	CASCADE Party1 – Account	CASCADE Party2 – BIC
Account with the role of a trading member (T)	:95P: RECU / DECU BIC of the settlement agent	The details in :97A::SAFE (RECU / DECU) become mandatory; that is the 7-digit securities account number has to be provided.	Providing the BIC of the trading members in :95P: BUYR / SELL becomes mandatory.
Account with the role of a settlement agent (P)	:95P: BUYR / SELL BIC of the settlement agent	If the value is: "Y" – the 7-digit securities account number using :97A::SAFE (BUYR / SELL) should be provided. "N" – the 7-digit securities account number using :97A::SAFE (BUYR / SELL) must be provided.	It is not necessary to provide any information.
Account with roles trading member and settlement agent (B)	Information can be provided following the rules of the role "T" or "P".		

Further details on the forwarding of rejections from Monte Titoli and T2S

Invalid instructions that have been rejected by Monte Titoli or T2S will be reported to CBF by Monte Titoli. As a result CBF customers will be informed about the rejection via MT548 REJT with the following details:

25D:IPRC//REJT

24B:REJT//NARR

70D:REAS//SCccccF + CASCADE² error text

The 4-digit code "cccc" can display either Monte Titoli's error code or the T2S error message in ISO format. In CASCADE the reason for the error and the respective description will be provided based on the information reported by Monte Titoli.

² Please note that the qualifier was originally announced as SWccccF.

Hold / Release Process for instructions from corporate actions

In December 2014, CBF informed its customers that the Hold / Release process for instructions from corporate actions was to be established. According to our current information this functionality for securities issued by Monte Titoli will not be available in the period from the migration of Monte Titoli on 31 August 2015 to the migration of CBF in Wave 3. Therefore, the current processes will remain. In the event of CBF setting up an instruction for the customer in the course of a corporate action that is required to display the Hold status, the customer will be informed about the blocking. To be able to release the instruction to Monte Titoli, CBF requires the order of the customer via MT599 including the indication that CBF shall adapt the Hold / Release status of the instruction. The following information will have to be included in the order:

- Account number of the customer;
- ISIN;
- Nominal;
- Instruction number of the T2S Actor Reference (instruction number or KP-Reference);
- Trade Date;
- Settlement Date.

Please note that the order of the customer is necessary for CBF to be able to release the blocking. Without it the instruction will be barred from the processing.

Changes in the planned processing of market claims and transformations

Monte Titoli advised its market participants that the service regarding market claims and transformations on OTC transactions with Monte Titoli has been removed from the scope of services of 31 August 2015. This service will be offered at a later – not yet defined – point in time. Therefore, the current processes will remain for the time being. The reporting of market claims and transformations within the scope of corporate actions for instructions

- within the domestic market will continue to be carried out via a prior notice (MT564 – Notification) and a confirmation (MT566 – Confirmation)
- with Monte Titoli as cross-border transactions will not be generated/displayed.

Measures in the course of the migration

On 28 August 2015, the Friday before the migration weekend, the settlement will end shortly before 16:00. Customers are requested to duly cancel all instructions with the Italian market that will have not been processed until then. The cancellation can also be carried out on preceding settlement days.

After 16:00 all pending instructions with the Italian market will be cancelled by CBF in accordance with the processes predetermined by T2S. Customers who ordered cancellation messages in Straight-Through-Processing mode are going to receive an MT548 CAND for each cancelled instruction. We kindly ask our customers to note that this setup will be valid exclusively for Friday, 28 August 2015.

On Sunday, 30 August 2015 CBF will inform customers whether the migration was successfully conducted. Depending on this, the transition of the current processes and the implementation of the new account setup with Monte Titoli will be executed.

After a successful migration the new Monte Titoli account 4851 will be used for settlement with the Italian market starting Monday morning 05:00. For that purpose it is necessary for customers to use the new account in instructions when instructing against the Italian market.

The account 7245 that has been used so far will be closed with the successful migration of Monte Titoli. Instructions not containing the new account will be rejected.

The following table provides an overview of the key customer-relevant data and shows the expected timetable upon successful completion of all activities concerning Monte Titoli's migration to T2S:

Date / time	Activity	Effect on CBF customers
Friday, 28 August 2015 from 15:30	End of forwarding of instructions in the Italian market (Monte Titoli)	It is no longer possible to issue cross-border instructions for the Italian market.
Friday, 28 August 2015 from 16:00	Implementation for migration for the Italian market	No impact on the customer
Friday, 28 August 2015 from 16:15	Deletion of pending instructions for the Italian market	With straight-through processing (STP) MT548 CAND messages are sent that can be automatically processed by the customer.
Sunday, 30 August 2015 from 12:00	After reaching the T2S point of no return, CBF sends a report on the current migration status to the T2S Single Points of Contact (SPOC).	The final migration activities to issue cross-border instructions for the Italian market may be initiated by our customers.
Monday, 31 August 2015 from 05:15	Forwarding of instructions in the Italian market (Monte Titoli)	When issuing instructions for the Italian market, the changes to the instruction data must be complied with in CASCADE Online or straight-through communication.
Monday, 31 August 2015 from 06:00	Indicating of instructions deleted by CBF in the report „Instruction deleted by CBF - KV102003“ (job number: JQ263000)	All customers can use this report to check which instructions were deleted by CBF. The customer can then decide whether they need to re-issue instructions. The readjustment is then made by the customer at the time in question.

In our appendix you will find a graphical presentation of the table above.

Should the migration not take place, today's account 7245 will continue to be used for settlement and the instructions will have to be sent in the current format. Please note that the customer account of Monte Titoli S.P.A. (7581) is not affected by the migration measures.

CASCADE Link Guide – Italy – T2S

On 27 July 2015 CBF provided market participants with the related CASCADE Link Guide for Italy that will be effective as of 31 August 2015. This version is available on our website www.clearstream.com and can be accessed under [Products and Services / Europe T2S / Italy / CASCADE Link Guide - T2S valid from 31 August 2015](#). Please note that based on this customer information the CASCADE Link Guide is going to be updated and a new version will shortly be available.

Customer simulation for the migration of Monte Titoli to T2S

Prior to the migration of Monte Titoli, CBF will offer customers the opportunity for simulation. The simulation will take place between 5 – 21 August 2015. The current details regarding the simulation have already been provided in a new version of the Customer Simulation Notification. You will find this information on our website www.clearstream.com under Products and Services / Connectivity / CASCADE / [Testing and Simulation](#).

Appendix

Monte Titoli – Migration Weekend in August 2015

The following schedule provides a high-level overview on the migration activities between 28 and 31 August 2015

Date ¹⁾	Time	Migration Task	Impact on CBF Customer
Friday, 28 August 2015	Start 15:30	Stop transmission of instructions to Monte Titoli	No more Cross-Border Instructions towards Monte Titoli can be sent
	Start 16:00	T2S Wave 1 Migration Activities CBF T2S Implementation Phase	Customers are not impacted
	Finish 16:15	Delete pending instruction in CBF settlement environment	Upon the existing subscription customers will receive MT548 with the following information "25D IPRC // CAND" and "24B CAND//CANI"
Saturday, 29 August 2015	Entire Day	T2S Wave 1 Migration Activities	Customers are not impacted
Sunday, 30 August 2015	Approx. 12:00	"T2S Point of no Return" is expected to be achieved. CBF will inform its T2S SPOCs about the migration status and result	Customers can start with their activities to finalise the new instruction procedure for the Italian market
Monday, 31 August 2015	Approx. 05:15	Start transmission of instructions to Monte Titoli	Instructions are requested to be sent with the modified details
	Approx. 06:00	CBF Reporting „Von CBF gelöschte Aufträge – KV102003“ (Job JQ263000) will be provided	Customers can check whether there is a need to set up instructions, which have been cancelled for migration

1) Please note SWIFT will execute its regular maintenance window: Frankfurt time - GMT is Saturday 16:00 to Sunday 04:00 (London time)