CBF Release in May 2014: Advance announcement of changes

Clearstream Banking[1] informs customers in advance about some changes that will be implemented on

Monday, 12 May 2014

with the CBF Release, since these changes may lead to system changes for the customers.

You will be informed at a later date about further changes and details about the changes listed below that will come into effect within the scope of the CBF release on 12 May 2014.

1. Cross-border settlement
Changes to settlement via the link accounts 7535 and 4496

The XS securities (new global notes – NGNs) currently admitted in CBF via Clearstream Banking S.A. (CBL) account 7535 will be migrated to CBL account 4496 with CBF.

As of 12 May 2014, the following types of cross-border transactions will therefore be settled via counterparty account 4496; for some, different settlement processes will be implemented within the link extension:

- Transactions with Euroclear Finland counterparties:
  Free-of-payment (FoP) transactions in Finnish securities and with Euroclear Finland counterparties;

- Transactions with CBL counterparties:
  FoP and delivery versus payment (DvP) transactions in XS-ISINs issued by CBL (new) and Finnish ISINs, where a CBL customer is a counterparty.

The processing of instructions against CBL (via account 7201) is not affected

1.1 Introduction of DvP settlement for instructions with CBL counterparties

DvP settlement against EUR will be introduced for transactions with CBL counterparties via this link. Cash payments are settled within the scope of the RTS DvP settlement process via TARGET2 (ASI procedure 2) on a gross basis per transaction via the RTGS accounts.

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1.2 Settlement times

The settlement times for the transactions with CBL counterparties are determined as follows:

FoP/DvP	Current deadline	Future deadline
FoP transactions	Settlement day at 17:15	Settlement day at 17:15 (unchanged)
DvP transactions	n/a	Settlement day at **14:30**

Note: DvP transactions are settled on the Creation platform within the mandatory settlement period; instructions therefore have to be issued early enough to meet the CBL deadlines for the mandatory settlement period.

1.3 The transfer reason will be a mandatory field in the instructions in the link to CBL

In order to differentiate between the instructions for transactions with Finnish and CBL counterparties, the transfer reason will be introduced as a mandatory field for all orders against account 4496.

- Transfer reason 221 for transactions with Finnish counterparties;
- Transfer reason 220 for transactions with CBL counterparties.

Orders against account 4496 that do not include a transfer reason will be rejected

1.4 Introduction of pre-matching for instructions with CBL counterparties

The rules that apply for the Finnish market today will be used for the afore-mentioned transactions, i.e. instructions are not pre-matched. Rather, the CBF instructions will not be forwarded to CBL until the settlement day after a successful internal provisioning within CBF and will only match there.

In future, pre-matching will be conducted for transactions with CBL counterparties, i.e. the instructions of CBF customers will be forwarded immediately to CBL for matching. This provides the customers with up-to-date information about the matching status of their instructions.

The procedure for transactions with Finnish counterparties remains unchanged.

1.5 Introduction of new match error codes

In future, the reasons for a failed matching on the counterparty side (CBL and Euroclear Finland) will be given to the CBF customers for all the transaction types described above. These match error codes will be reported within the matching status in the corresponding CASCADE Online screens (KVAI) and in the status messages received via SWIFT, MQSeries or File Transfer.

Note for CASCADE-PC users: In this release, these error codes are only reported in German, since no CASCADE-PC release is planned for the May Release, i.e. the English error codes will not be available in CASCADE-PC until the November release.

The following new characteristics will be introduced in the matching status for the corresponding transactions:

CASCADE match error code	Description
60	Disagreement Place of Settlement
61	Disagreement Custodian
62	Possible Duplicate
63	Disagreement RTGS System
70	Disagreement Payment Code
71	Disagreement Direction of Trade
72	Disagreement Payment Code
73	Incorrect Delivering Agent
74	Incorrect Receiving Agent
75	Deviating opt out flac
76	Deviating cum/ex flag
77	Disagreement Common Reference
78	Incorrect Seller
79	Incorrect Buyer
80	Disagreement Deliverer Safekeeping Account
81	Disagreement Receiver Safekeeping Account
82	Unspecified reason; phone contact required

2. CASCADE Online
Expansion of the display "Detailed instructions for Direct Debit cash processing" KNZI

2.1 New selection criteria for inputting the ISIN in the KNZI ID display

Customers can currently retrieve cash information from income proceeds (dividends, interest etc.) in the CASCADE display screen "Detailed instructions for Direct Debit cash processing" (KNZI-ID), by entering the corresponding ISIN. At present, the query cannot be adjusted further to refine the search results by entering further selection criteria (for example, market claims, cancellation etc.).

Further selection criteria will be introduced as of 12 May 2014, which in conjunction with the ISIN will facilitate an even more accurate query of cash proceeds.

Note: Cash proceeds by ISIN can only be retrieved for automatically generated payments. Manual payments are not included.

2.2 Extending the data storage in the KNZI display

At present, historical information on cash proceeds can be retrieved online in the KNZI displays for all function codes (ID, IN, IK, IS) for six months. Starting 12 May 2014, the period for which the data is stored in the KNZI display will be extended gradually to two years. The data will no longer be removed from the online display after six months, but made available for another 18 months. The full two-year period during which the historical data is available, will be reached approx. 18 months after the release. From that point onwards, data that is older than two years will be removed from the display.

Note: Data per query will continue to be retrievable only for a period of four weeks. If data is required for a longer period of time, this can be achieved through several queries of 4-week periods each.

3. Custody
Corporate Action Transaction Management

Corporate Actions will see further extension in the field of transaction management (market claims and transformations) in 2014. Since these improvements are also related to the introduction of the T2S settlement platform, they are based on the standards of the Corporate Action Joint Working Group (CAJWG) and the T2S Corporate Action Sub Group (CASG).

The most important extension is the **transformation of open OTC and stock exchange trades into cash,** which will be delivered in November 2014. In addition, mandatory reorganisation events, such as redemptions, are used for the transformation process.

Another important improvement is made to **market claims for interest payments** already in May 2014; in future, a distinction will be drawn between **flat bonds** and bonds for which accrued interest is calculated. The logic of the market claims for dividend payments will be applied to flat bonds.

With the introduction of these extensions, the CBF Transaction Management Service will have been brought almost fully in line with the standard requirements of the CAJWG/CASG. The CBF link to T2S (3rd wave in September 2016) marks the completion: the introduction of a 20-day transformation period as well as taking into account the opt-out flag (customer transformation indicator) for the processing of market claims and transformations.

3.1 Transformation of pending transactions into cash

The implementation of this service is planned for November 2014.

In the course of a transformation into cash, the redemption price and the settlement amount of the underlying transaction are taken into consideration.

The redemption price is transferred from the seller to the buyer, on the basis of the nominal value of the pending transaction. The settlement amount of the pending transaction is transferred from the buyer to the seller.

3.2 Market claims for interest payments

For market claims for interest payments, a distinction will be drawn in future between flat bonds and bonds for which accrued interest is calculated. The logic of the market claims for dividend payments will be applied to flat bonds.

The bond is regarded as a flat bond if one of the following WSS master data conditions is met.

- WSS field value GD311A (special features for interest and dividend payments) = 11 (no interest payment);

- WSS field value GD311A (special features for interest and dividend payments) = 14 (payment suspended);

- WSS field value GD311A (special features for interest and dividend payments) = 15 (in default);

- WSS field value GD311A (special features for interest and dividend payments) = 18 (creditor's option: interest or capitalisation);

- WSS field value GD311B (special features for calculating accrued interest) = 01 (flat);

- WSS field value GD311B (special features for calculating accrued interest) = 02 (x-flat, dirty price);

- WSS field value GD311B (special features for calculating accrued interest) = 07 (no accrued interest);

- WSS field value GD811 (interest date period) = 07 (interest payment at maturity);

- WSS Feld Wert GD811 (interest date period) = 08 (no interest payment dates);

- WSS field value GD811 (interest date period) = 09 (discounting).

If the record date of an interest payment (CBF event type 110) is reached and the event ISIN is identified as a flat bond according to the afore-mentioned criteria, it has the following consequences for processing:

- The interest payment has an ex date that is also reported in the CBF MT564/566. The ex date is on the record date/coupon detachment date + 1 business day; this is reported as such by WM if necessary and calculated by CBF on the basis of this record date.

- The market claim logic for dividends is applied: All cum traded OTC and stock exchange transactions that are settled within the 20-day market claim period after the record date are automatically compensated by CBF from the seller to the buyer.
  Note: Flat bonds are currently not CCP-eligible.

If it is not a flat bond, no ex date is determined and consequently the market claim logic for dividends will not be applied either. Instead, only late stock exchange trades (CCP and LION) are compensated according to today's rules.

SWIFT reporting follows the standard reporting for market claims (MT564 REPE ACLA and MT566 CLAI).

The current market claim rules for interest and dividend payments are described in detail in the Compensation Handbook (please refer to the Clearstream website under Information Centre / Market Reference / CSD Connectivity – CASCADE / Compensations and Giovannini Barrier 3).

4. KUSTA data carrier
Change to the contents in the KUSTA data carrier and the KUSTA Excel file

As of 12 May 2014, account data will no longer be shown in the KUSTA reports for the following international markets:

- 08 Japan

- 22 Norway

- 45 CREST

- 50 ECAG

Therefore, a higher data volume for changes to and deletions of account data may be experienced on 12 May 2014.

The layout of the data carrier and the Excel files remains unchanged.

5. Xemac

CBF will introduce a new Xemac® version with the OAF Release in May 2014.

Changes that will be introduced with the Xemac Release on 24 February 2014 will be published in a separate customer information.

6. Taxbox
Changes to Taxbox messages

6.1 Introduction of the Verlustverrechnungstopf date (VVT date, pool for offsetting losses)

The optional VVT date field (pool for offsetting losses) will be introduced within the Taxbox main block of incoming and outgoing messages The date for which the VVT is to be valid can be indicated, which does not have to be the current delivery date. The date is specified in the following format:

XML day:

‹VvtDt›YYYYMMDD‹/VvtDt›

The date must be in the past.

CBF conducts appropriate plausibility checks and, if this format or the content of this field does not comply with the standard, the incoming message will be rejected by CBF.

The Taxbox documentation will be updated accordingly.

6.2 Elimination of the field for the TIN (Tax Identification Number)

The TIN field in the Taxbox main block of messages will be deactivated due to data protection concerns, but not completely removed from the block format Therefore, customers will still have the option to state the TIN in their messages. However, the contents of the field will be ignored by CBF, i.e. will not be saved in the internal database of CBF messages and therefore not forwarded to the recipient of the message.

However, the indication of the TIN does not lead to a rejection of the message.

7.   Vaults services

As of 12 May 2014, the certificate-specific characteristics will no longer be set by default for order type 16 KVEW – NV (new admission) when placing orders in CASCADE. Optional input by the customer is possible using the table *for certificate-specific characteristics* (table CKC9T03), which is available online as well as via SWIFT, File Transfer or MQSeries (MT540).

8.   Further information

For further information, please contact Clearstream Banking Customer Service or your Relationship Officer.