



French Transaction Tax for Settlement and Reconciliation Market Practice

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Author:	FR NMPG

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Changes to previous versions			
1.0		First version	
2.0		Second version: new logo and update date revised	

I. Scope and definitions:

General context :

The Law creating a tax on financial transactions (hereafter ‘the Law’) was adopted by the French Parliament on 29 February 2012 and published in the ‘Journal Officiel’ on 15 March 2012. The tax on financial transactions (hereafter ‘FTT’) law comes into effect as from Wednesday, 1st August 2012.

The scope of the FTT is based on a list of ISINs of French eligible companies. The tax is applicable to any transaction processed in France or overseas and considered as non-exempted.

The payment of the “FTT” will be effective as from 9th of November 2012.

The scope of this document is to describe the market practice related to the French Financial Transaction Tax and the 15022 reporting associated in the securities area (from the tax announcement to its payment).

Our current document is a complement to the White Paper published by AFTI (in annex of our document) where the operational flow, legal principles, liability processes will be more detailed.

The market practice focuses on the messaging part in place between the custodians and their clients, the securities central depository and its participants.

Hereafter market practice will cover the settlement and reconciliation FTT process as from November 2012 and the messaging 15022 flow applicable as from SWIFT release 2013. Items for which discussions are ongoing on the French market will not be detailed on in the hereafter document but only mentioned.

Another market practice is available for the Corporate Action process on the SMPG website.

II. Actors and Roles

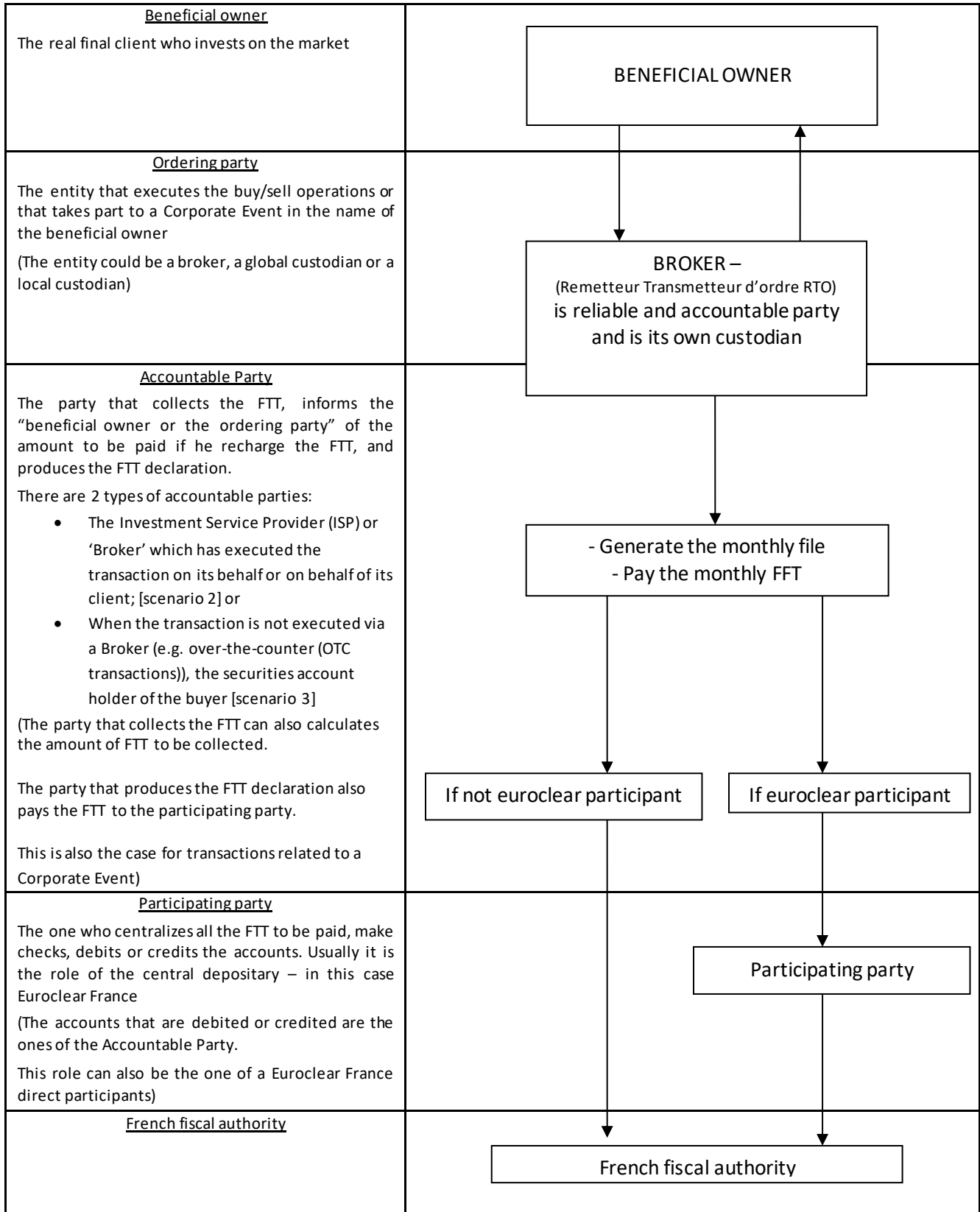
This paragraph describes the roles and actors involved in the process described in the market practice document.

Actor	Role	Comments
Beneficial owner	The real final client who invests on the market	
Ordering party	The entity that executes the buy/sell operations or that takes part to a Corporate Event in the name of the beneficial owner	The entity could be a broker, a global custodian or a local custodian
Accountable party	<p>The party that collects the FTT, informs the “beneficial owner or the ordering party” of the amount to be paid if he recharge the FTT, and produces the FTT declaration.</p> <p>There are 2 types of accountable parties:</p> <ul style="list-style-type: none"> • The Investment Service Provider (ISP) or ‘Broker’ which has executed the transaction on its behalf or on behalf of its client; or • When the transaction is not executed via a Broker (e.g. over-the-counter (OTC transactions)), the securities account holder of the buyer 	<p>The party that collects the FTT can also calculates the amount of FTT to be collected.</p> <p>The party that produces the FTT declaration also pays the FTT to the participating party.</p> <p>This is also the case for transactions related to a Corporate Event</p>
Participating party	The one who centralizes all the FTT to be paid, make checks, debits or credits the accounts. Usually it is the role of the central depository – in this case Euroclear France.	<p>The accounts that are debited or credited are the ones of the Accountable Party.</p> <p>This role can also be the one of a Euroclear France direct participants.</p>
French fiscal authority	The one who receives the FTT declaration and make controls	

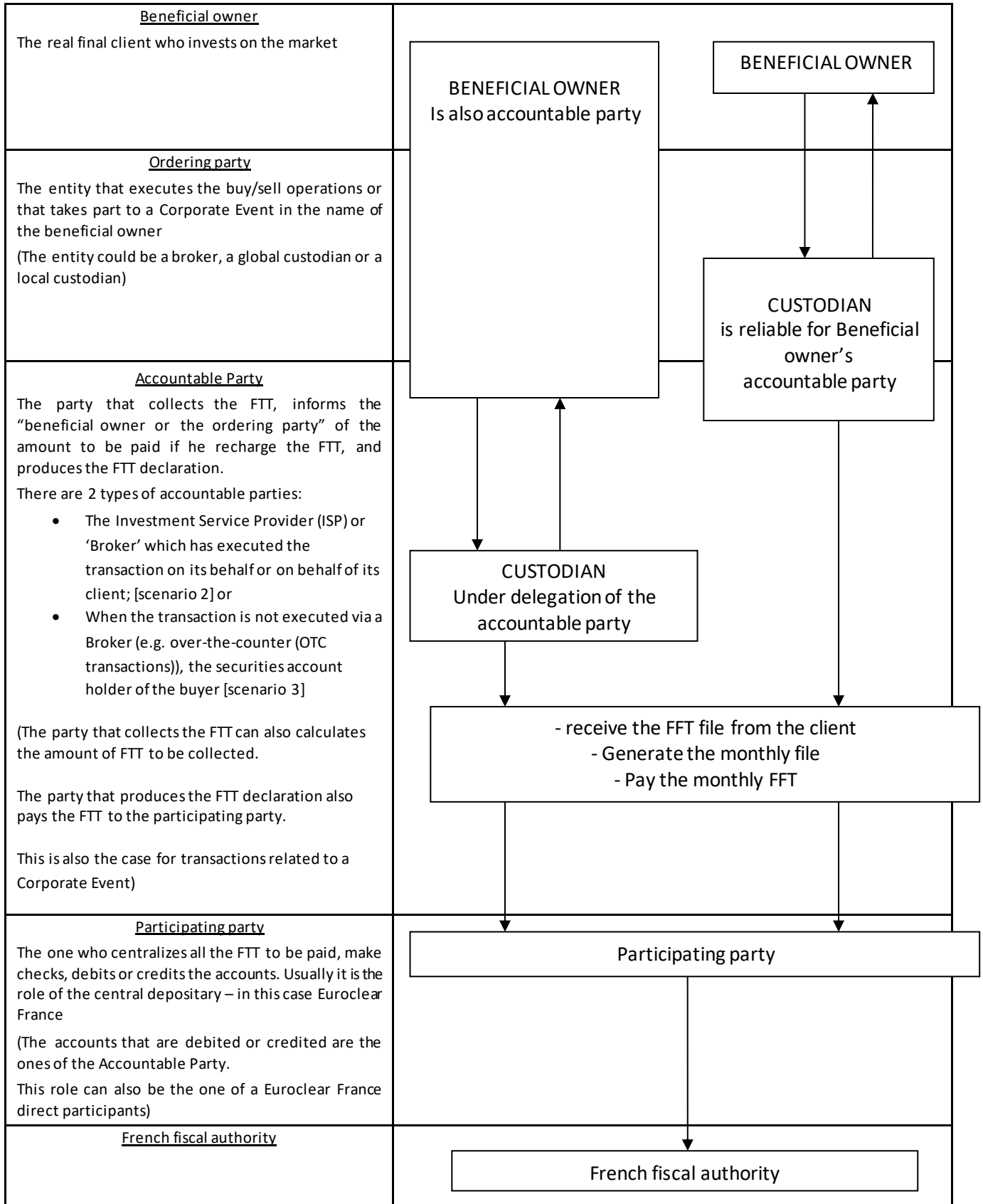
More details on the various actors and their roles can be found in the AFTI White Paper document, in sections 2.3, 3, and 3.4.

III. Activity Diagram

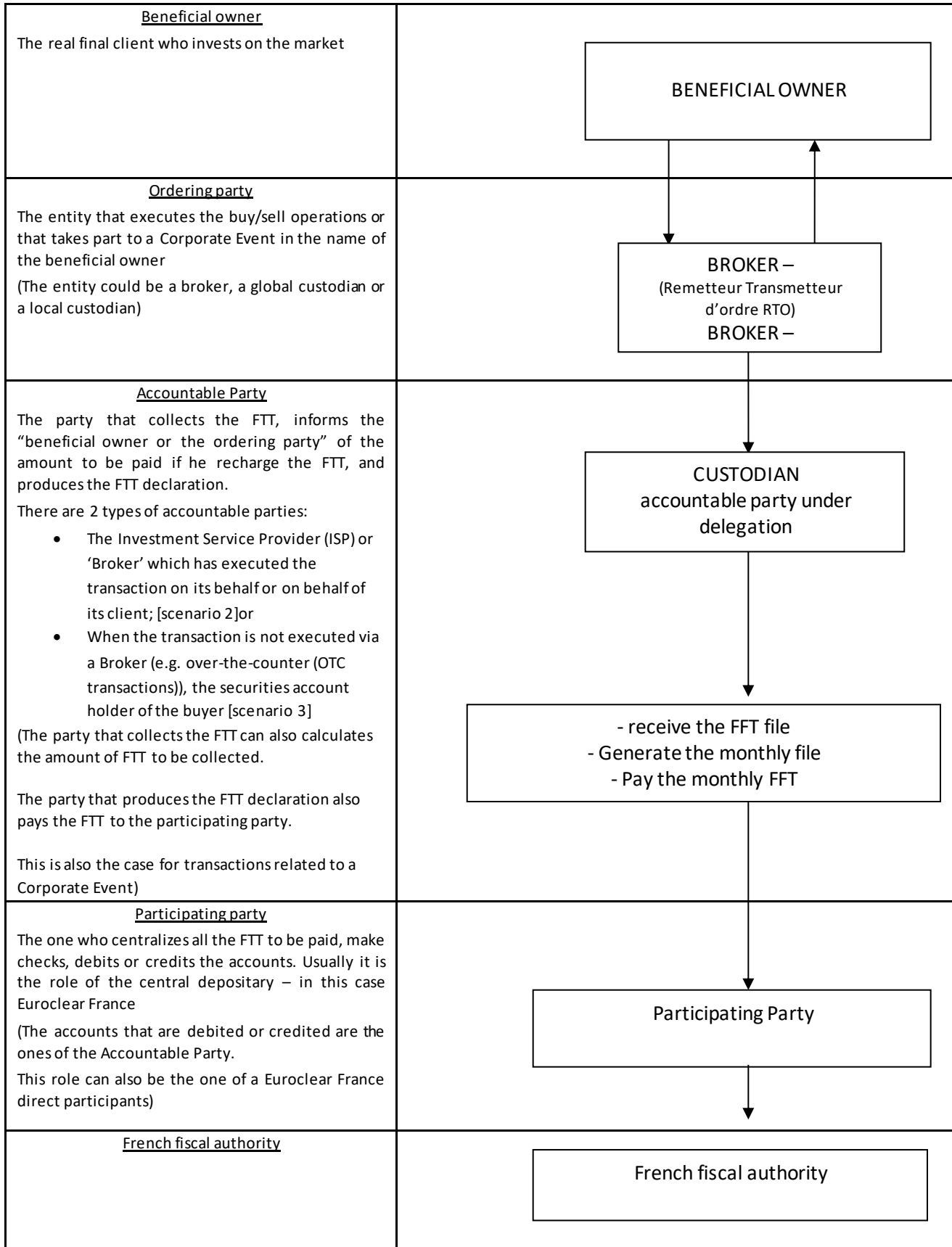
Scenario 1 – BROKER is its own custodian



Scenario 2 – CUSTODIAN acts under delegation OR is reliable for Beneficial owner’s accountable party



Scenario 3 – Value chain is Beneficial Owner to the Broker to the CUSTODIAN



IV. Sequence Diagrams

See Activity Diagrams.

V. Business data requirements

Business data requirement section describes the business information that will be needed for the business process to take place

EXAMPLE:

For the above-described different communication needs, the following business data are required. Focus is on the processes described in the MP:

A. Instruct settlement:

Business elements	Additional information
Message reference	
Trade Date	ISO 8601 Date/Time
Settlement Date	ISO 8601 Date/Time
Quantity of Financial Instrument	Expressed as units
Financial Instrument	ISO 6166 International Securities Identification Number [ISIN]
Settlement Amount	Currency and amount
Safekeeping Account to be credited or debited	
Place of Settlement	ISO 9362 Bank Identifier Codes [BIC] taken from the list of PSET's BIC published on www.smpg.info . See also Place of Settlement MP.
Receiving/Delivering Agent	ISO 9362 Bank Identifier Codes [BIC] or CSD Local Code
Client of Receiving/Delivering Agent	ISO 9362 Bank Identifier Codes [BIC]
Country specifics as per local market practice (if any)	Country specifics as per local market practice (if any)

VI. Market Practice Rules

The information about the FFT doesn't appear in the market instruction. This is just "as information" between the final client (beneficial owner) and the FTT collector (accountable party).

The French NMPG S&R recommends the usage of field 19A LOCL or STEX in the Settlement Detail Sequence of the Settlement instructions and confirmations

Mandatory Repetitive Subsequence E3 – Amount

Field	M or O	Qualifier	Content	Example	Comments
16R	M	AMT	Qualifier AMT	:16R::AMT	
17B	O	4!c	Flag		Not used
19A	M	4!c	Amount	:19A::LOCL//EUR54,5 Or :19A::STEX//EUR54,5	
98a	O	VALU	Value Date and/or Time		Not used
92B	O	EXCH	Rate		Not used
16S	M	AMT	Qualifier AMT	:16S::AMT	

Example of MT543

:16R: GENL
 :20C: :SEME//FFT EXAMPLE INX
 :23G: NEWM
 :16S: GENL
 :16R: TRADDET
 :94B: :TRAD//OTCO/SBI
 :98A: :SETT//20130315
 :98C: :TRAD//20130312101342
 :90B: :DEAL//ACTU/EUR100,
 :35B: ISIN FR0000121014
 :35B: LVMH
 :16R: FIA
 :70E: :FIAN//XPAR
 :16S: FIA
 :16S: TRADDET
 :16R: FIAC
 :36B: :SETT//UNIT/200,
 :97A: :SAFE//62612U
 :16S: FIAC
 :16R: SETDET
 :22F: :SETR//TRAD
 :16R: SETPRTY
 :95Q: :BUYR//SICO000000000555
 :16S: SETPRTY
 :16R: SETPRTY
 :95R: :REAG/EGSP/555
 :16S: SETPRTY
 :16R: SETPRTY
 :95P: :PSET//SICVFRPPXXX

French Transaction tax MP

:16S: SETPRTY
:16R: AMT
:19A: :SETT//EUR200,
:16S: AMT
:16R: AMT
:19A: :VATA//EUR1,76
:16S: AMT
:16R: AMT
:19A: :LOCO// EUR9,
:16S: AMT
:16R: AMT
:19A: :LOCL// EUR54,5
:16S: AMT
:16S: SETDET

And the corresponding MT547

:16R:GENL
:20C::SEME//FFT EXAMPLE CONF
:23G:NEWM
:98C::PREP//20130315043014
:16R:LINK
:20C::RELA//FFT EXAMPLE INX
:16S:LINK
:16S:GENL
:16R:TRADDET
:98A::TRAD//20130312
:98A::ESET//20130315
:35B:ISIN FR0000121014
LVMH
:16S:TRADDET
:16R:FIAC
:36B::ESTT//UNIT/100,
:97A::SAFE//ABCDE
:97A::CASH//ABCDE
:16S:FIAC
:16R:SETDET
:22F::SETR//TRAD
:16R:SETPRTY
:95P::PSET//SICVFRPP
:16S:SETPRTY
:16R:SETPRTY
:95P::REAG//BICCODEXXXX
:16S:SETPRTY

French Transaction tax MP

:16R:AMT

:19A::ESTT//EUR200,

:16S:AMT

:16R:AMT

:19A::VATA//EUR1,76

:16S:AMT

:16R:AMT

:19A::LOCO//EUR9,

:16S:AMT

:16R:AMT

:19A::LOCL//EUR54,5

:16S:AMT

:16S:SETDET