



SETTLEMENT AND ISO 15022
STANDARDS:

HUNGARY
MARKET PRACTICE

Issued on behalf of the Hungarian Market Practice Group

valid from 6 December 2021

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Hungarian Market Practice Templates for Settlement

1 Introduction

This document refers to the settlement of securities (equities and fixed income, Free of Payment and Against Payment trades) in a custody environment (OTC, off exchange) through KELER Ltd., the Hungarian CSD.

The following rules are applicable to the MT 54x communication between custody clients and local agents (KELER participants).

Changes to previous version

This version replaces the version of HU_del1_v4.0

2 Elements used in settlement instructions

HU Business element name	Data Content Format
Sender's Message Reference	4!c//16x ⁽¹⁾
Trade Date	8!n
Intended Settlement Date	8!n ⁽²⁾
Identification of Financial Instrument	ISIN1!e12!c
Quantity of Financial Instrument to be settled	4!c/15d with 4!c = UNIT for equities 4!c = FAMT for fixed income
Safekeeping account to be credited or debited	35x
Delivering/Receiving agent	BIC11 ⁽³⁾ BIC11 ⁽⁴⁾
Client of Delivering/Receiving agent	BIC11 ⁽⁵⁾
Place of settlement	3!a15d ⁽⁶⁾
Settlement Amount (including currency)	

2.1 Specifics

To settle equities or fixed income securities in the HU market the Common List of Data Elements (Data Content Format) need to be used, in line with the following rules:

1. Sender's Message Reference (SEME) is mandatory; however, Common Trade Reference (COMM) becomes a matching criterion if instructed by both parties (optional matching field).
2. Intended Settlement Date can be any date that is agreed between the parties. It can be different from the general on exchange settlement cycle (T+2). Compared to the sending date/receiving date it can be a business date in the past, it can be any business date in the future. However, CSD accepts instructions from custodians with settlement date maximum 20 business days more in advance or in the past.
3. The Delivering or Receiving agent (DEAG/REAG) shall be identified by KELER participants' BIC11 (mandatory matching field). Participants without BIC code are identified by technical BIC assigned by KELER (KELEHUH1XXX). Account of Delivering or Receiving agent (97A – 10 digits account number in KELER books and records) is an optional field and becomes matching criterion at the CSD if filled by both parties (optional matching field).
4. The Client of the Delivering or Receiving agent (SELL/ BUYR or DECU/RECU, depending on the length of the custody chain) is an optional field and becomes a matching criterion in the CSD if both fields (SELL and BUYR or DECU and RECU) are populated by both parties with BIC11 (optional matching field). This information is used for matching purposes that is why its usage is highly recommended, especially for internal and inter-agent trades. The non-provision of this information will not stop the settlement of an Against Payment instruction, because the data given in DEAG/REAG field is sufficient for settlement.
5. Place of settlement shall be KELRHUHBXXX, for KELER Ltd. as the Hungarian CSD.
6. Settlement amount and currency are not applicable in case of free of payment instructions.
7. Failed and matched instruction is kept in the CSD system for 60 business days after the intended settlement date or from the date of the last status change. During this recycling period the CSD tries to settle the instruction. After this period the CSD cancels the unsettled instruction from its own system. If the instruction is still valid, then a new instruction must be re-sent to the CSD by the local custodian. Please note that if the security concerned in the failed settlement instruction is subject to mandatory buy-in then the instruction must be cancelled after the buy-in procedure (earlier than 60 business days).

Failed and unmatched instruction is kept in the CSD system for 20 business days after the intended settlement date or from the date of the last status change. During this recycling period the CSD tries to settle the instruction. After this period the CSD cancels the unsettled instruction from its own system.

8. Cancellation of a matched trade in the CSD is possible only bilaterally. However cancellation in the CSD doesn't mean necessarily that the custodian will also cancel the trade. This is a unique business practice / decision of the account servicer institution how they handle trades which have been cancelled in KELER's system.
9. Priority Indicator (PRIR) might be used, only '0003' – high priority or '0004' – normal priority is accepted.
10. No Automatic Market Claim (NOMC – Opt out) or Trade Transaction Condition Indicator (TTCO - Ex-Cum) becomes matching criterion if filled by any party (additional matching field). Please note that currently no market claim service is available at the CSD, therefore until no such services are provided by the CSD, local agents will reserve the right not to forward these indicators to the CSD in order to raise matching efficiency. We do not recommend using these indicators when sending instructions until the market claim service is not available.
11. Partial Settlement Indicator (PART/NPAR) and Matching Status Code (MTCH/NMAT) is mandatory at the CSD, instructions are rejected by the CSD if these fields are not filled. Local custodians might use default indicators and matching status code when sending instructions to the CSD. We do not recommend using Matching Status Code indicator when sending instructions to the local custodian.

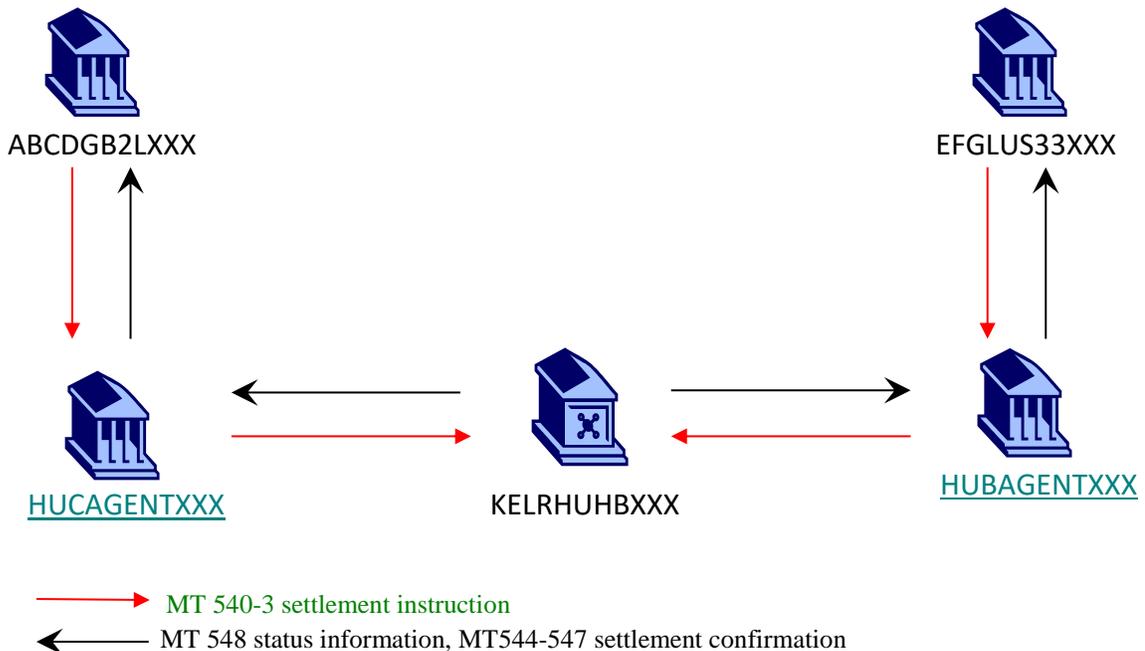
3. Illustration of the common elements used in Against Payment settlement instructions:

- Securities used: HU0000012345
- Parties and safekeeping accounts relationships as follows:

Broker	EFGLUS33XXX	fictional Bank Identifier Code (BIC)
	12345	fictional account with its local agent

Global custodian	ABCDGB2LXXX	fictional Bank Identifier Code (BIC), local code or text information
	67891	fictional account with its sub-custodian/local agent
Sub-custodian/local agent of the global custodian	HUCAGENTXXX	fictional matching BIC11 with the central securities depository (=KELER)
Local agent of the broker	HUBAGENTXXX	fictional matching BIC11 with the central securities depository (=KELER)
Place of settlement	KELRHUHBXXX	KELER Central Securities Depository Ltd.

- Trade Date: 01 March 2021
- Intended Settlement Date: 03 March 2021
- Quantity: 10'000
- Settlement amount: HUF 300 000,
- Sender's Reference: 21324



Detailed Field Name	Data Field Content	Example
Start of block	GENL	:16R:GENL
Sender's Reference	16x	:20C::SEME//21324
Function of the message	4!c	:23G:NEWM
End of block	GENL	:16S:GENL
Start of block	TRADEDET	:16R:TRADEDET
Intended Settlement Date	8!n	:98A::SETT//20210303
Trade Date	8!n	:98A::TRAD//20210301
Identification of the Financial Instruments	ISIN1!e12!c	:35B:ISIN HU0000012345
End of block	TRADEDET	:16S:TRADEDET
Start of block	FIAC	:16R:FIAC
Quantity of Financial Instrument	4!c/15d	:36B::SETT//xxxx/10000,
Safekeeping Account at the local Custodian	35x	:97A::SAFE//xxxxxxxxxxxx
End of block	FIAC	:16S:FIAC
Start of block	SETDET	:16R:SETDET
Settlement Transaction Type Indicator	1!a	:22F::SETR//TRAD
IDENTIFICATION OF PARTIES WILL VARY ACCORDING TO THE SETTLEMENT CHAIN OF ACCOUNTS		
Start of block	AMT	:16R:AMT
Settlement amount	3!c15d	:19A::SETT//HUF300000,
End of block	AMT	:16S:AMT
End of block	SETDET	:16S:SETDET

Elements in the settlement chain:

Delivering or Receiving agent	BIC11
Client of Delivering or Receiving agent (SELL/BUYR or DECU/RECU)	BIC11, and account number*
Place of settlement	BIC11

* It is not mandatory for the settlement but highly recommended for matching purposes. BIC8 is also accepted by the CSD however it is not taken into consideration in matching process.

Example:

Start of block	SETPRTY	:16S:SETPRTY
Party (Delivering agent)	BIC11	:95P::DEAG// HUCAGENTXXX
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Party (Seller)	BIC	:95P::SELL//ABCDGB2LXXX
		:97A::SAFE//67891
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Party (place of settlement)	BIC11	:95P::PSET//KELRHUHBXXX
End of block	SETPRTY	:16S:SETPRTY

4 Extension to elements detailed in point 2 and 3 in relation to Cancellation, Confirmation and REPO instructions

The set of common elements (Data Content Format) can be used for settlement confirmation instruction with the following differences.

4.1 Cancellation of an instruction

Cancellation should contain the same elements as the original instruction to be cancelled. It is mandatory to include the reference to the settlement instruction to be cancelled. For this the Linkage Block and the qualifier 20C::PREV//16x shall be used.

Matched instructions can only be cancelled if both parties send cancellation instruction (bilateral cancellation).

4.2 Confirmation of an instruction

The Settlement confirmation should contain the same elements as the original instruction,

PLUS:

- The reference to the original settlement instruction that was received. For this the Linkage Block and the qualifier 20C::RELA//16x shall be used.

EXCEPT:

- The settlement date given in the confirmation is the effective settlement date (which might differ from the intended settlement date as stated in the instruction). This translates in ISO 15022 messages by using the qualifier ESET rather than SETT as qualifier for the date field 98C.
- The quantity of financial instrument in the confirmation is the effective settled quantity. This translates in ISO 15022 messages by using the qualifier ESTT rather than SETT as qualifier for the quantity of financial instrument field 36B.
- The settlement amount given in the confirmation is the effective settlement amount. This translates in ISO 15022 messages by using the qualifier ESTT rather than SETT as qualifier for the amount field 19A.

4.3 REPO instructions

From 6 December 2021, KELER settles fixed rate and term repurchase / reverse repurchase agreements (REPO transactions) based on 'Single Message Market Practice' that require one instruction for two legs.

As an alternative to the requirements of KELER, clients may choose to send two messages (DVP and RVP) using the standard :22F::SETR/TRAD indicator. In this case and if the counterparty follows the same logic, the instruction settles as normal DVP/RVP at the CSD. If one instruction is sent for both legs by using :22F::SETR/REPU (MT543) or RVPO (MT541) instead of :22F::SETR/TRAD, they are automatically processed as REPO transactions by KELER and therefore must contain the following (otherwise the instruction will be rejected):

- :98A::TERM qualifier (REPO closing date) in Sequence D is mandatory as it indicates the maturity date of the repo agreement. The repo closing date must be greater than or equal to the intended settlement date of the repo opening leg
- :20C::REPO qualifier (REPO reference - Common reference that links the repo opening and closing legs)

- :20C::SECO qualifier (Second leg reference - Unique reference chosen by the instructing party that will be assigned to the second leg instruction once automatically generated by KELER).
- :19A::TRTE qualifier (Termination Transaction Amount – Repurchase Amount)

Local custodians may also change the :22F::SETR indicator sent by their clients when sending the message to the CSD according to their practice.

Where there is a maturity change of the closing leg under the single message method, it is mandatory to provide a previous reference (PREV) in the linkages sequence of the cancellation that contains the reference number of the original instruction (SEME from the original or first instruction) that is being amended. In the event multiple closing scenarios occur, the PREV reference of the follow-up cancellation will contain the most recent replacement instruction SEME and not the original opening repo.

The modification of a repo or reverse repo instruction, like :22F::REPT// must follow the normal cancel and replace settlement process. The following modification options are available:

- :22F::REPT//CALL (Repo call) - The actual closing date of the repo will be changed to an earlier date.
- :22F::REPT//ROLP (Repo Contract Rollover) - The actual closing date of the repo will be extended to a later date.

Please note that REPT/CALL indicator should be used in the CANC instructions as well. In case of partial rollover multiple new instructions must be submitted so that the total settlement quantities of the new instructions (closing legs) sum up the settlement quantity of the cancelled closing leg.

KELER will only cancel original closing leg if the cancellation itself and all of the new modified instructions are sent and matched.