



SETTLEMENT AND ISO 15022 STANDARDS:

INDIA OTC MARKET PRACTICE

Issued on behalf of the Indian Market Practice Group

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Indian Market Practice Templates for Settlement

1 Introduction

The Indian securities market has traditionally used proprietary systems, faxes, telephones, emails etc. for communication with each other. There is no single authenticated standard for communication between the market participants and different modes of communication are used based on the comfort level of the counterparties. SWIFT usage has been restricted to banks and the securities messages have been used for communicating with their offshore clients. SWIFT has implemented the new ISO 15022 messaging standards for securities transaction to facilitate secured, efficient and timely communication. The focus of the new messages is to have consistent implementation of messages by the market participants and bring the industry closer to its goal of achieving Straight-Through-Processing (STP).

2 Securities Market Practices

There are no standards defined in India for securities communication. Each industry participant has defined and used the existing SWIFT messages separately and differently. This has resulted in an inefficient exchange of information.

Launched in October 1998, the new suite of ISO 15022 compliant securities message standards (covering Settlement, Reconciliation and Corporate Actions), now enables consistent and sophisticated transaction processing and handling from the very beginning to the end of the securities processing chain.

3 Business Elements

This document consists of:

- The Needed business elements (the common elements and any others required) and their data content format for IN (India)
- Requirement from the Market for ISO15022 communication
- The “generic” message flow and template
- Illustrative scenarios

| Changes to previous version in BLUE | | |
|--|--|--------|
| Version 3.1 February 2004 | Additional Elements recommendations. | Page 5 |
| Version 4.0 June 2013 | Removed obsolete information and updated where appropriate | All |
| Version 1.1 July 2015 | Update Disclaimer | - |

4 The Needed Elements

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

4.1 Specifics

To settle equities or fixed income securities in the Indian Market the Common List of Data Elements needs to be used, with:

1. A description may be supplied with the ISIN if necessary, variable length 4*35x.
2. The Delivering or Receiving agent is the counterparty broker and BIC Code of the broker to be used.
3. The place of trade will uniquely identify trades done on different exchanges.

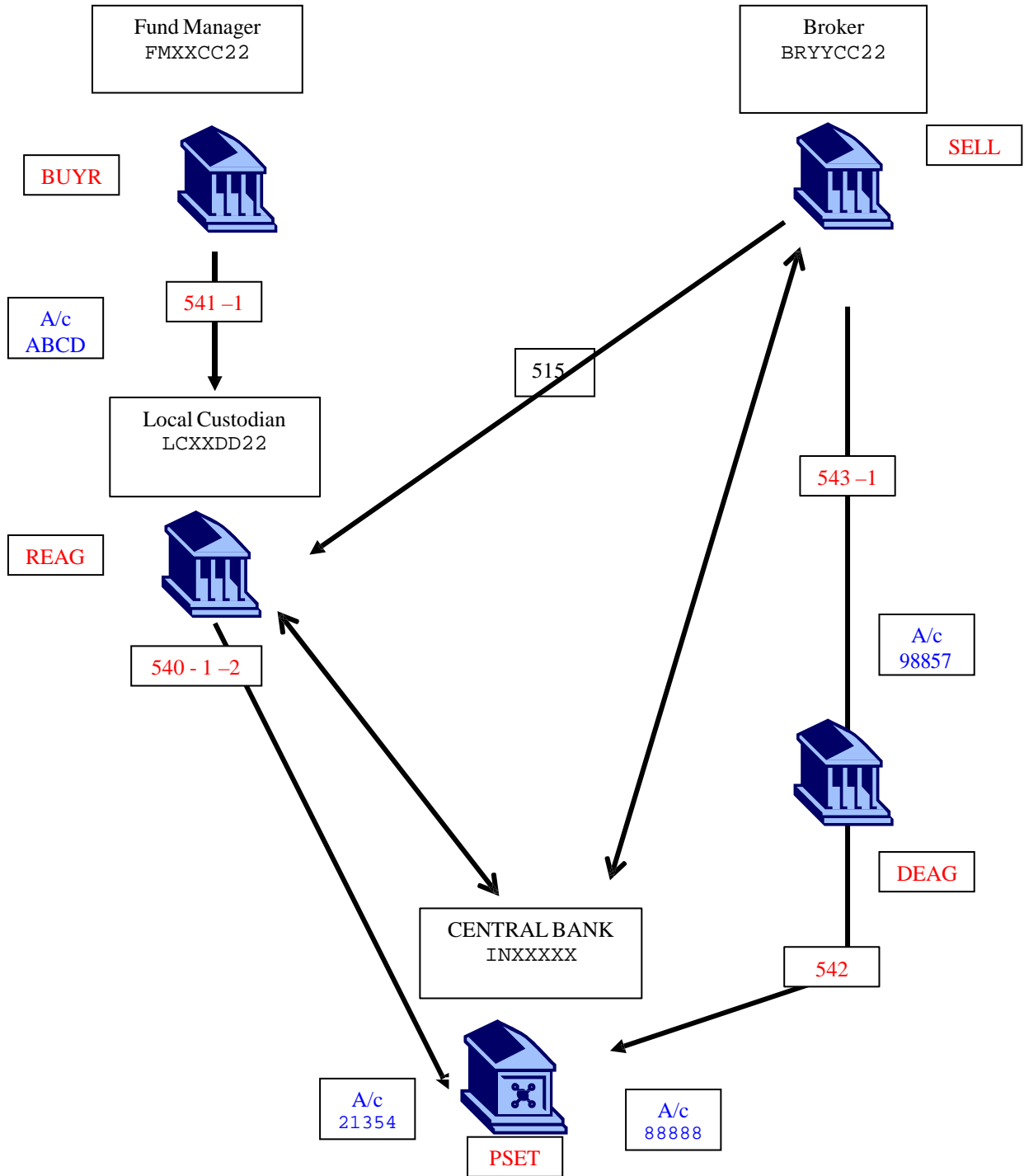
6 Requirement from the Market for ISO 15022

The key market participants need to have the facility to send and receive data using standardised message formats adhering to ISO 15022 and SWIFT message formats, which interface into their backend system. These are the depositories, clearing corporations, brokers and the institutional market participants.

Sample illustration of a flow of SWIFT messages is given in the “Domestic general flow”. This is purely illustrative and is not intended to be an accurate description of the flow of messages. The same has to be arrived at with the consensus of the market participants.

6.1 Domestic Generic Flow

A sample of Buy trade flow in a scenario where the market participants are using ISO 15022.



6.2 Illustration of the common elements used :

- Securities used : 10000 of INE009A01021
- Parties and safekeeping accounts relationships as follows :

| | | |
|--|----------|--|
| fund manager | FMXXCC22 | fictional Bank Identifier Code (BIC) |
| | ABCD | fictional account with its global custodian |
| broker | BRYYCC22 | fictional Bank Identifier Code (BIC) |
| | 99857 | fictional account with its local agent |
| global custodian | GCXXDD22 | fictional Bank Identifier Code (BIC) |
| | A1B2 | fictional account with its subcustodian/local agent |
| subcustodian/local agent of the global custodian (1) | SCXXIN22 | fictional Bank Identifier Code (BIC) |
| | 21354 | fictional account with the central securities depository |
| local agent of the broker (2) | SCYYIN22 | fictional Bank Identifier Code (BIC) |
| | 88888 | fictional account with the central securities depository |
| PSET | INXXXXXX | Fictional Place of settlement |

- Trade Date is: 01 March 2005
- Place of Trade is : **OTCO**
- Settlement Date is: 04 March 2005
- Settlement amount is: INR300000,
- Sender's Reference is: 21324
- For our illustrative examples the "place settlement" is INXXXXXX

| 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 |
| Place of Trade | 4!c/30x | :94B:TRAD//OTCO |
| Settlement Date | 8!n | :98A::SETT//20050304 |
| Trade Date | 8!n | :98A::TRAD//20050301 |
| Identification of the Financial Instruments | ISIN1!e12!c | :35B:ISIN IN0123456789 |
| End of block | TRADEDET | :16S:TRADEDET |
| Start of block | FIAC | :16R:FIAC |
| Quantity of Financial Instrument | 4!c/15d | :36B::SETT//xxxx/15000, |
| Safekeeping Account (of the sender with the receiver) | 35x | :97A::SAFE//xxxxxxxxxx |
| 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//INR300000, |
| End of block | AMT | :16S:AMT |
| End of block | SETDET | :16S:SETDET |

Settlement Chain should at least contain:

| | |
|---|-----|
| Delivering or Receiving agent | BIC |
| Client of Delivering or Receiving agent | BIC |
| Place of Settlement | BIC |

Example :

| | | |
|-----------------------------|---------|----------------------|
| Start of block | SETPRTY | :16S:SETPRTY |
| Party (Delivering agent) | BIC | :95P::DEAG//SCYYIN22 |
| End of block | SETPRTY | :16S:SETPRTY |
| | | |
| Start of block | SETPRTY | :16R:SETPRTY |
| Party (Seller) | BIC | :95P::SELL//BRYYCC22 |
| End of block | SETPRTY | :16S:SETPRTY |
| | | |
| Start of block | SETPRTY | :16R:SETPRTY |
| Party (place of settlement) | BIC | :95P::PSET//INXXXXXX |
| End of block | SETPRTY | :16S:SETPRTY |

7 Extension to Settlement Confirmation and Free of Payment

The set of common elements can also be used for settlement confirmation and free of payment transaction with the following differences:

7.1 free of payments

Free of payment instruction contains the same elements as for the against payment transaction except for the elements pertaining to the settlement amounts. The settlement amount(s) is not required.

7.2 confirms

The Settlement confirmation – whether it is a free of payment or an against payment transaction – should contain the same elements as the original instruction

PLUS:

- The reference to the original settlement instruction that was received. This is done using the Linkage Block and the qualifier 20C::RELA//16x

EXCEPT:

- The settlement date given in the confirmation is the effective settlement date (which might differ from the instructed 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 98a.
- 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.

The Indian market practice usage guidelines are also available in [MyStandards](#)