



SETTLEMENT AND ISO 15022
STANDARDS:

ITALY
MARKET PRACTICE

*Issued on behalf of the **Italian** Market Practice Group*

July 2004

Italian Market Practice Templates for Settlement

1 Introduction

This document refers to equities and fixed income vanilla trades in a custody environment.

Changes to previous version			
V5.1 July 2004	Clarification	Clarification on the usage of REAG/DEAG in settlement instruction for which the cpty has a conto liquidatore.	Page 2

2 The Needed Elements

IT	
Business element name	Data Content Format
Sender's Message Reference	16x
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 4!c = UNIT for equities 4!c = FAMT for fixed income
Deal Price	3!a15d (1)
Safekeeping account to be credited or debited	35x
Client of Delivering or Receiving agent	BIC
Delivering or Receiving agent	BIC ¹
Place of Settlement	BIC
Settlement Amount (including currency)	3!a15d

2.1 Specifics

To settle equities or fixed income securities in the IT market the Common List of Data Elements needs to be used, plus:

1. The deal price in all transactions (free and against payment) as per fiscal requirements

¹ To be specified with a BIC

2.2 Clarification on the usage of REAG/DEAG in the Italian Market.

The launch of the new settlement system Express II has raised some questions in the community with reference to the REAG/DEAG field of settlement instructions. The Italian Market Practice Group would like to confirm that no specific new requirements have been introduced with Express II.

The introduction of the new settlement system has facilitated the opening of "conto liquidatore" accounts. "Conto liquidatore" accounts are open at the CSD by local agents participating at Express II on behalf of national and international investors which are not direct members of Express II.

The matching is realised in the clearing system where the institutional investors are identified (i.e.: direct members at Borsa Italiana or MTS)².

It is to be noted that "conto liquidatore" accounts existed before the introduction of Express II but were not used as much.

For MT54X instructions with a counterparty having a "conto liquidatore" account, the counterparty itself is the clearing entity and needs to be identified in the REAG/DEAG with their BIC³. Settlement of trades will be executed automatically in the correct local custodian / broker's account at Monte Titoli.

Therefore the Italian NMPG strongly recommends to indicate the BIC code of the institutional investor in DEAG/REAG field.

Example 1 (no conto liquidatore):

Delivery to FR investor ZZZZFRPP. ZZZZFRPP does not have a conto liquidatore account nor clearing code. They clear through Italian Bank AAAAITMM (local clearing code 123).

Start of block	SETPRTY	:16S:SETPRTY
Receiving party	BIC	:95P::REAG//AAAITMM
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Buyer	BIC	:95P::BUYR//ZZZZFRPP
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Place of settlement	BIC	:95P::PSET//MOTIITMM
End of block	SETPRTY	:16S:SETPRTY

With local clearing code (for illustration purposes)

Start of block	SETPRTY	:16S:SETPRTY
Receiving party	BIC	:95R::REAG//ITIT/123
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY

² Matching in Italy has always been done at clearing institution level. For MT54X instructions in Italy, the cpty clearing institution is to be identified. Generally, the cpty clearing institution is the local agent bank or clearing broker of the counterparty.

³ ABI code used with DSS ITIT is also accepted.

Buyer	BIC	:95P::BUYR//ZZZZFRPP
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Place of settlement	BIC	:95P::PSET//MOTIITMM
End of block	SETPRTY	:16S:SETPRTY

Example 2 (with conto liquidatore):

Delivery to GB investor XXXXGB2L. XXXXGB2L has a conto liquidatore account and clearing code 987. Account is managed by Italian Bank BBBBITMM.

Start of block	SETPRTY	:16S:SETPRTY
Receiving party	BIC	:95P::REAG//XXXXGB2L
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Buyer	BIC	:95P::BUYR//XXXXGB2L
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Place of settlement	BIC	:95P::PSET//MOTIITMM
End of block	SETPRTY	:16S:SETPRTY

With local clearing code (for illustration purposes)

Start of block	SETPRTY	:16S:SETPRTY
Receiving party	BIC	:95R::REAG/ITIT/987
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Buyer	BIC	:95P::BUYR//XXXXGB2L
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Place of settlement	BIC	:95P::PSET//MOTIITMM
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16S:SETPRTY

It has to be noted that if BBBBITMM or its clearing code is input in the REAG/DEAG field, the transaction will not be settled in the “conto liquidatore” of XXXXGB2L but into the omnibus account of BBBBITMM.

In conclusion, for all settlement instructions with a counterparty having a “conto liquidatore” account, the international investor is identified directly in the REAG/DEAG field.

Illustration of the common elements used :

- Securities used: IT0123456789
- 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)	SCXXIT22	fictional Bank Identifier Code (BIC)
	21354	fictional account with the central securities depository
local agent of the broker (2)	SCYYIT22	fictional Bank Identifier Code (BIC)
	88888	fictional account with the central securities depository
Place of Settlement	MOTIITMM	Example of PSET

- Trade Date is: 01 March 2005
- Settlement Date is: 04 March 2005
- Settlement amount is: EUR300000,
- Sender's Reference is: 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
Settlement Date	8!n	:98A::SETT//20050304
Trade Date	8!n	:98A::TRAD//20050301
Deal Price	4!c/15d or 4!c/13!a15d	:90A::DEAL/PRCT/101,2356
Identification of the Financial Instruments	ISIN1!e12!c	:35B:ISIN IT0123456789
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	35x	:97A::SAFE//xxxxxxxxxx
End of block	FIAC	:16S:FIAC
Start of block	SETDET	:16R:SETDET
Settlement Transaction Type Indicator	4!a	:22F::SETR//TRAD
IDENTIFICATION OF PARTIES OF ACCOUNTS	WILL VARY	ACCORDING TO THE SETTLEMENT CHAIN
Start of block	AMT	:16R:AMT
Settlement amount	3!c15d	:19A::SETT//EUR300000,
End of block	AMT	:16S:AMT
End of block	SETDET	:16S:SETDET

Settlement Chain should at least contain:

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

Example :

Start of block	SETPRTY	:16S:SETPRTY
Party (Delivering agent)	BIC	:95P::DEAG//SCYYIT22
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//MOTIITMM
End of block	SETPRTY	:16S:SETPRTY

When required by the local agent, Tax ID will be indicated using Option S - **:95S::ALTE/TXID/IT/30x** as shown below:

Start of block	SETPRTY	:16S:SETPRTY
Party (Delivering agent)	BIC	:95P::DEAG//SCYYIT22
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 (Seller)	BIC	:95P::BUYR//FMXXCC22 :95S::ALTE//TXID/IT/123456789
End of block	SETPRTY	:16S:SETPRTY
Start of block	SETPRTY	:16R:SETPRTY
Party (place of settlement)	BIC	:95P::PSET//MOTIITMM
End of block	SETPRTY	:16S:SETPRTY

3 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:

3.1 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.

3.2 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.