

Market Notice

25 February 2019

MN_05/2019



London

Stock Exchange Group

Securities settlement service: optimisation of message management.

For the attention of: **DCPs and ICPs**

Re: **Securities settlement service: optimisation of message management.**

Dear Client,

Monte Titoli is committed to offering its clients the best technical/operational solutions aimed at improving the entire settlement process and generating economies and synergies. In pursuit of this goal, in 2015 Monte Titoli began to analyse the **message management methods** used by Monte Titoli for its settlement service. This looked at, in view of the impact of the management of messages to and from T2S, the strategy chosen for the transmission of instructions and the management of notification on the total cost of settlement activity for all our clients. This significant impact is clear from the fact that in 2018 the settlement fee in T2S was €0.15.

To best evaluate the impact we looked at available T2S published data and estimated the average cost re-invoiced by ECB to the CSDs that use the T2S for each single settled transaction and compared it to the average cost incurred by MT in the same period based on our own evidence.

Period Jan-Jun 2018	All CSDs	Monte Titoli	All CSDs without Monte Titoli ¹
Estimated average per instruction invoiced ²	€0.276	€0.232	€0.286

On the basis of our internal estimates the average cost of each settled transaction invoiced by Monte Titoli was about 20% lower than the average of the other CSDs.

¹ Figure calculated as the difference, subtracting the Monte Titoli figures from the total for all CSDs

² The average takes account of the various types of transactions settled at various rates and the different number of messages downloaded and the download methods (file versus single message). This line excludes any specific fee of the CSD and includes only estimated recharges of T2S costs received by ECB.

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The increased efficiency of message management methods is due to the technical/operational solutions implemented by Monte Titoli since August 2015, with a particular focus on two issues relating to message management methods:

1. instructions relating to guaranteed and non-guaranteed market trades are largely managed using the message transmission/receipt functions (sese.023) according to the "bundled into a file" method, benefiting from a cost per message of €0.4 cents, compared to €1.2 cents per message
2. keeping to a strict minimum the receipt of "copy" messages (sese.023) and the related status update messages (sese.024) for monitoring the OTC instructions of DCP entities, while focusing on the reconciliation of the business day through the receipt of settlement confirmations (sese.025) and also ensuring support for such participants, primarily through the Web functions of T2S.

In view of the rate increases in T2S with effect from the beginning of 2019, Monte Titoli will remain committed to identifying solutions that allow its Participants to benefit from settlement in T2S in the most efficient manner possible.

For further clarification, please contact Sales Team:

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