

ITALIAN MARKET PRACTICE USE OF ADDITIONAL MATCHING FIELDS IN T2S

SCOPE OF THE DOCUMENT

The aim of this document is to define a standard market practice for the use of the additional matching fields of OTC transactions in T2S, in order to guarantee a smooth matching process and high matching rate following the introduction of the new logic.

TECHNICAL BACKGROUND

The matching process in T2S compares mandatory and non-mandatory matching fields of the settlement instructions.

Mandatory Matching fields are those fields that must be populated in the instruction and whose values have to be the same in both settlement instructions for matching.

Non-mandatory matching fields are defined as additional or optional matching fields.

- **Additional matching fields:** may not be used, but if filled in by one counterparty, the other party must also fill it in for matching. Additional matching fields cannot match against “blank”. The additional matching fields are:
 - CUM/EX indicator with possible values “CCPN” - cum coupon or “XCPN” - ex coupon. When specified, it will deviate from the standard entitlement rules taking into account the relevant dates;
 - OPT OUT indicator with value “NOMC”. If specified, no market claims will be raised on a given transaction, irrespective of the CUM/EX indicator and the relevant dates of the settlement instruction. When opt-out is not required in the transaction, the indicator should NOT be sent in the ISO message.
- **Optional matching fields:** may not be used and if filled in by one counterparty, the other party is not mandated to use it. Optional matching fields may match against “blank”. If both parties populate the optional matching field, the values have to match.

Generation of market claims and reverse market claim

Market claims will be initiated by the CSD when a settlement instruction is matched before or on record date of the mandatory event but is failing to settle over record date, or is matched after the record date of the mandatory event till the 20th working day after the record date.

Moreover, facing a contract executed from the ex-date and settled within the record date, the CSD generates a reverse market claims.

Counterparties in the underlying transaction may choose to include the ex/cum indicator only if they want to deviate from the standard market claim procedure or to choose the “opt-out” if they want to indicate that no claim at all should be raised on a given transaction.

OPERATIONAL GUIDELINE

Points of attention

Due to the fact that the additional matching field are not currently contemplated by the Italian market, CSD participants agreed to spread among their clients the awareness of the peculiarities of these fields by underlying the below points of attention, with the aim to avoid the increase of the fail rate caused by un-matching:

- Counterparty agreement: as additional matching fields do not allow matching blank, it is crucial for parties to agree the relevant value before using it;
- Proper use: these fields should be used only in exceptional cases when the two parties want to deviate from the standard rules applied by the CSD according to the analysis of the trade and intended settlement date.

Operational guidance

The Italian Community propose the below recommendations:

- CUM/EX indicator: it is strongly suggested to use this indicator only when clients want to deviate from the standard rules derived from the relevant dates of the instruction (*i.e.* do not use the indicator to reconfirm the requirement to follow the standard Market Claim auto-generation process);
- OPT OUT indicator: by default the CSD raises the market claims as per above-mentioned rules. It is strongly suggested to populate this field only if the two parties agree to avoid the generation of the market claim or reverse market claim by the CSD platform.

CSD participants have agreed to reflect in the settlement instruction the same indicators as quoted in the original clients' instructions.

Annex

1. *ECB table - FAQ_CA_standards_Jan2014*