MT 527 Triparty Collateral Instruction

Note

The use of this message type requires Message User Group (MUG) registration.

MT527 Scope

This message is sent by a trading party to its triparty agent to instruct the agent to perform a specific action on a collateral management transaction.

This message is also used to request the cancellation of a previously sent Triparty Collateral Instruction.

The message may also be used to:

- re-send a message previously sent (Subfunction of the message is DUPL)
- provide a third party with a copy of the message for information (Subfunction of the message is COPY)
- re-send to a third party a copy of the message for information (Subfunction of the message is CODU)

MT527 Format Specifications

The instruction contains four sequences:

- Sequence A General Information provides general information about the instruction, that is, the function of the message, the identification of the collateral transaction, the references of the linked messages, the identification of the parties, the safekeeping account, the reason for which collateral is needed (the exposure type), the identification of the collateral action and the agent-specific information.
- Sequence B Deal Transaction Details contains the deal transaction details.
- Repetitive sequence C Securities Movement contains the securities movements.
- Repetitive sequence D Cash Movement contains the cash movements.

Status	Tag	Qualifier	Generic Field Name	Detailed Field Name	Content/Options	No.
Mandatory Sequence A General Information						
M	16R			Start of Block	GENL	*1*
M	28E			Page Number / Continuation Indicator	5n/4!c	*2*
----->						
M	20C	4!c	Reference	(see qualifier description)	:4!c//16x	*3*
-----|						
M	23G			Function of the Message	4!c[/4!c]	*4*
----->						
M	98a	4!c	Date/Time	(see qualifier description)	A, C, or E	*5*
-----|						
----->						
M	22a	4!c	Indicator	(see qualifier	F or H	*6*

				description)		
-----|						
----->						
O	13B	4!c	Number	(see qualifier description)	:4!c/[8c]/30x	*7*
-----|						
O	25D	REST	Status	Response Status	:4!c/[8c]/4!c	*8*
-----> Mandatory Repetitive Subsequence A1 Collateral Parties						
M	16R			Start of Block	COLLPRTY	*9*
----->						
M	95a	4!c	Party	(see qualifier description)	P, Q, or R	*10*
-----|						
O	97a	SAFE	Account	Safekeeping Account	A or B	*11*
O	22F	TRCA	Indicator	Party Capacity Indicator	:4!c/[8c]/4!c	*12*
M	16S			End of Block	COLLPRTY	*13*
-----| End of Subsequence A1 Collateral Parties						
----->						
O	70E	4!c	Narrative	(see qualifier description)	:4!c//10*35x	*14*
-----|						
-----> Optional Repetitive Subsequence A2 Linkages						
M	16R			Start of Block	LINK	*15*
O	13a	LINK	Number Identification	Linked Message	A or B	*16*
M	20C	4!c	Reference	(see qualifier description)	:4!c//16x	*17*
M	16S			End of Block	LINK	*18*
-----| End of Subsequence A2 Linkages						
M	16S			End of Block	GENL	*19*
End of Sequence A General Information						
Optional Sequence B Deal Transaction Details						
M	16R			Start of Block	DEALTRAN	*20*
O	94B	TRAD	Place	Place of Trade	:4!c/[8c]/4!c[/30x]	*21*
O	17B	CONC	Flag	Concentration Limit Flag	:4!c//1!a	*22*

M	98a	TERM	Date/Time	Closing Date/Time	A, B, or C	*23*
----->						
O	19A	4!c	Amount	(see qualifier description)	:4!c//[N]3!a15d	*24*
-----|						
----->						
O	92a	4!c	Rate	(see qualifier description)	A or C	*25*
-----|						
----->						
O	22a	4!c	Indicator	(see qualifier description)	F or H	*26*
-----|						
M	16S			End of Block	DEALTRAN	*27*
End of Sequence B Deal Transaction Details						
-----> Optional Repetitive Sequence C Securities Movement						
M	16R			Start of Block	SECMOVE	*28*
M	22H	INOU	Indicator	In/Out Indicator	:4!c//4!c	*29*
M	35B			Identification of the Financial Instrument	[ISIN1!e12!c] [4*35x]	*30*
M	36B	QSEC	Quantity of Financial Instrument	Quantity of Securities	:4!c//4!c/15d	*31*
M	17B	COLL	Flag	Collateral Flag	:4!c//1!a	*32*
O	97a	SAFE	Account	Safekeeping Account	A or B	*33*
O	20C	CSMV	Reference	Client's Securities Movement Reference	:4!c//16x	*34*
M	16S			End of Block	SECMOVE	*35*
-----| End of Sequence C Securities Movement						
-----> Optional Repetitive Sequence D Cash Movement						
M	16R			Start of Block	CASHMOVE	*36*
M	22H	INOU	Indicator	In/Out Indicator	:4!c//4!c	*37*
M	19A	CASH	Amount	Cash Amount	:4!c//[N]3!a15d	*38*
O	17B	COLL	Flag	Collateral Flag	:4!c//1!a	*39*
O	97a	CASH	Account	Cash Account	A or E	*40*
O	20C	CCMV	Reference	Client's Cash Movement Reference	:4!c//16x	*41*

M	16S			End of Block	CASHMOVE	*42*
-----| End of Sequence D Cash Movement						
Optional Sequence E Additional Information						
M	16R			Start of Block	ADDINFO	*43*
----->						
O	95a	4!c	Party	(see qualifier description)	C, P, Q, or R	*44*
-----|						
M	16S			End of Block	ADDINFO	*45*
End of Sequence E Additional Information						

MT527 Network Validated Rules

- **C1** In sequence A, if field :20C::CLCI is not present, then field :20C::TRCI is mandatory, otherwise field :20C::TRCI is optional.

Sequence A if field :20C::CLCI is ...	Sequence A then field :20C::TRCI is ...
Not present	Mandatory
Present	Optional

- **C2** In sequence A, if field :20C::SCTR is not present, then field :20C::RCTR is mandatory, otherwise field :20C::RCTR is optional.

Sequence A if field :20C::SCTR is ...	Sequence A then field :20C::RCTR is ...
Not present	Mandatory
Present	Optional

- **C3** In sequence A, if the value of field :23G:<Function> subfield 1 is REPL, then sequence B is not allowed, otherwise it is mandatory.

Sequence A if value of field :23G:4!c[/4!c] subfield 1 is ...	Then sequence B is ...
REPL	Not allowed
NEWM	Mandatory
CANC	Mandatory

- **C4** If sequence A field :22a::COLA// is other than SLEB and sequence B is present, then field :19A::TRAA must be present..

If sequence B is ...	And sequence A field :22a::COLA is ...	Then sequence B field :19A::TRAA is ...
Present	SLEB	Optional
	Not SLEB(1)	Mandatory
Not present	NA	NA

(1) if the Data Source Scheme is present in field :22F::COLA// then the conditional rule does not apply.

MT527 Usage Rules

Triparty Scenario's

The triparty collateral management service is used by two trading parties at the agreement of a business transaction (for example, a repo, a securities loan, ...) when they want to secure the transaction with collateral. The management of this collateral (that is, agreeing on quantity and type, marking to market, ...) is done by a third party, the triparty collateral manager.

Before starting to use these services, the three parties will first sign a contract in which they stipulate the rules of the agreement.

There are three types of triparty collateral management:

1. collateral management without settlement,
2. collateral management with settlement of the collateral on the books of the agent,
3. collateral management with external settlement.

In the first scenario the triparty agent will calculate the necessary quantity of collateral and instruct the trading parties on which movements need to occur. For example, party A and party B closed a repo deal for 1,000,000 USD. They inform the triparty agent of the deal details. The agent will then calculate which pieces of collateral need to be moved to cover the 1,000,000 USD exposure and will inform the trading parties. Parties A and B then settle the movements as instructed by the agent.

In the second scenario the triparty agent will also execute the settlement. By servicing a safekeeping account for both parties, the agent will not only calculate the necessary movements but will also settle them internally on its books.

The third scenario is only a slight deviation from the second one. In this case the agent has the authority to move securities from party A's and B's safekeeping accounts with their respective subcustodians.

Triparty Definitions

Collateral Management Transaction

The triparty agent will create this transaction on receipt of the deal information from the two trading parties. For example, when party A and B have agreed on a securities loan and have reported this information to the triparty agent, the agent will create a collateral management transaction to manage this securities loan on its internal systems.

A transaction is created, can be changed and is terminated.

Collateral Management Instruction

The trading parties will request the triparty manager to perform certain instructions on the collateral management transaction. An instruction can be to initiate a transaction, modify the terms of a transaction, or close a transaction (non-exhaustive list of instructions). The triparty agent will send feedback on the requested instruction.

Lifecycle of Collateral Management Transaction

When a transaction is initiated, agreed on by both parties, accepted and declared valid by the triparty agent, the lifecycle of the transaction starts. The transaction will normally last as long as the underlying deal. At the end of its lifecycle a transaction is closed.

Lifecycle of Collateral Management Instruction

The lifecycle of a collateral management instruction starts when the user of the triparty service sends an instruction message. At receipt of the instruction message, the triparty agent will process the instruction and assign a status (that is, valid or rejected). At each step in the lifecycle of an instruction a different status will be assigned. For example, an instruction can be valid for processing or rejected because it is incorrect. If an instruction needs to be matched (for example, two initiation- instructions from party A and B need to match) it can have a status matched or unmatched. Other statuses describe the sufficiency or eligibility of the collateral.

Delivery by Value (DBV) Scenario

A Delivery by Value (DBV) is a collateral mechanism whereby the collateral giver and collateral taker do not specify

specific securities, but supply a value and a category of securities to the third party, for example, a CSD, which then allocates an appropriate basket of securities to the DBV transaction.

Collateral is automatically returned from the taker to the giver the next day, due to automated transactions created by the CSD in response to the DBV instruction. Each return transaction is created against a proportional payment of the original consideration of the DBV transaction (which may differ from the value of the basket of securities). This return is executed using regular settlement confirmation messages.

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