**ISO 20022**

CCP Clearing

Approved by the Securities SEG on 22 January 2015

**Message Definition Report Part 1**

This document provides information about the use of the messages for Central Counterparty Clearing and includes, for example, business activities and message flows.

20 February 2015

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**Preliminary note:**

The Message Definition Report (MDR) is made of three parts:

* **MDR - Part 1** describes the contextual background required to understand the functionality of the proposed message set. Part 1 is produced by the submitting organisation that developed or maintained the message set in line with a MDR Part1 template provided by the ISO 20022 Registration Authority (RA) on [www.iso20022.org](http://www.iso20022.org)
* **MDR – Part 2** is the detailed description of each message definition of the message set. Part 2 is produced by the RA using the model developed by the submitting organisation.
* **MDR – Part 3** is an extract of the ISO 20022 Business Model describing the business concepts used in the message set. Part 3 is an Excel document produced by the RA.

# Introduction

## Terms and definitions

The following terms are reserved words defined in ISO 20022 – Part1. When used in this document, they will be in italic and follow the *UpperCamelCase* notation.

|  |  |
| --- | --- |
| Term | Definition |
| *BusinessRole* | functional role played by a business actor in a particular *BusinessProcess* or *BusinessTransaction* |
| *Participant* | involvement of a *BusinessRole* in a *BusinessTransaction* |
| *BusinessProcess* | unrealized definition of the business activities undertaken by *BusinessRoles* within a *BusinessArea* whereby each *BusinessProcess* fulfils one type of business activity and whereby a *BusinessProcess* may include and extend other *BusinessProcesses* |
| *BusinessTransaction* | particular solution that meets the communication requirements and the interaction requirements of a particular *BusinessProcess* and *BusinessArea* |
| *MessageDefinition* | formal description of the structure of a message instance |

## Glossary

**Acronyms**

|  |  |
| --- | --- |
| Acronym | Definition |
| ACK | Acknowledgement |
| B/D | Broker/Dealer |
| CCP | Central Counterparty |
| CSD | Central Securities Depository |
| CNS | Continuous Net Settlement |
| EACH | European Association of Central Counterparty Clearing Houses |
| ESCB | European System of Central Banks |
| ECSR | Committee of European Securities Regulators |
| FIA | Futures Industry Association |
| FOA | Futures and Options Association |
| IDB | Inter-dealer/broker |
| NAK | Negative Acknowledgement (reject) |
| (G or I)CM | (General or Individual) Clearing Member |
| NCM | Non Clearing Member |
| SMPG | Securities Market Practice Group |
| TDN | Trade Date Netting |
| SBF | Société de Bourse française (now Euronext) |
| TM | Trading member |

**Abbreviations**

|  |  |
| --- | --- |
| Abbreviation | Definition |
| None |  |

## Document Scope and Objectives

This document is the first part of the Central Counterparty Clearing Message Definition Report (MDR) that describes the *BusinessTransactions* and underlying message set. For the sake of completeness, the document may also describe *BusinessActivities* that are not in the scope of the project.

This document describes the following:

* The *BusinessProcess* scope (business processes addressed or impacted by the project)
* The *BusinessRoles* involved in these *BusinessProcesses*

The main objectives of this document are as follows:

* To explain the *BusinessProcesses* and *BusinessActivities* these messages have addressed
* To give a high level description of *BusinessProcesses* and the associated *BusinessRoles*
* To document the *BusinessTransactions* (sequence diagrams)
* To list the *MessageDefinitions*

The messages definitions are specified in *Securities Clearing November 2015 Message Definition Report Part 2.*

## References

| Document | Version | Date | Author |
| --- | --- | --- | --- |
| ISO 20022 Business Justification – CCP Clearing |  | 2007-09-19 | SWIFT |

# Scope and Functionality

## Background

This Message Definition Report covers a set of 10 *MessageDefinitions* developed by SWIFT in close collaboration with FPL and approved by the Securities Standards Evaluation Group (SEG) on 22 January 2015. All messages described in this document are ISO 20022 registered messages. These messages are specifically designed to support the communication flows between the central counterparties (CCPs) and general/individual clearing members (GCMs and ICMs) for fixed income and equity.

In 2001, the Giovannini Group’s main conclusion in its first report was that the EU financial market cannot be considered to be an integrated entity, but remains a juxtaposition of domestic markets.

In 2003, the Giovannini Group issued its second report on EU Clearing and Settlement Arrangements. This report aimed to address the question of what actions should be undertaken to eliminate the problems identified in the first report. The main conclusion was that a concerted removal of the 15 barriers identified in the first report was the essential ingredient to the reform of post-trading services in the EU. The barriers should be replaced by a set of technical standards, market conventions, rules, regulations and laws that are consistent with a barrier-free environment for the provision of post-trading services.

At the end of 2006, SWIFT Standards conducted a gap analysis as part of its efforts to remove Giovannini barrier One [[1]](#footnote-1)for fixed income and equities. This analysis was specific to central counterparties and their communication with clearing members. Feedback indicated that, in the majority of cases, settlement processes are covered by the existing ISO standards and the main gaps in ISO messaging are in clearing.

In the meantime, the Futures Industry Association and the Futures and Options Association committed to improving the efficiency of post-trade processing for exchange-traded derivatives. FIA/FOA created a Global Standards Working Group that was committed to define a new standard that would address Giovannini Barrier One and benefit listed derivatives market participants around the world.

On its side, SWIFT was largely looking at improving its coverage in both the trade and post-trade spaces by a series of projects that addressed trade matching, central clearing and collateral management. The three projects, part of SWIFT’s post-trade programme, aimed to integrate disparate processes into the common business model of ISO 20022, allowing terminology to be shared and re-used from the pre-trade space through to settlement and reconciliation.

The purpose of the program was the development of a business model covering the full scope of post-trade processing from trade notification through confirmation/affirmation. The program also included securities clearing and collateral management.

With these objectives in mind, SWIFT organised a meeting in Paris with representatives of LCH Clearnet SA, BNP Paribas and Parel (Société Générale) on the 4th December 2008. The intent of the meeting was to gather feedback from experts on the SWIFT initiative of designing ISO 20022 standard messages to cover clearing and collateral management activities.

The findings have resulted in the creation of a working group to discuss and agree on the requirements for ISO 20022 messages for clearing.

## Scope

Clearing generally refers to the processes that happen after a trade is matched until its submission to settlement, and comprises various actions such as “novation”, netting and risk management (in particular, making use of collateral).

The scope of central counterparties clearing is broad and SWIFT did not anticipate delivering the entire solution in one phase. Instead, SWIFT initially focused on the communication flows between the central counterparties (CCPs) and general/individual clearing members (GCMs and ICMs) for fixed income and equity.

The scope of this Message Definition Report (MDR) covers the description of new ISO 20022 messages specific to the securities clearing business area for fixed income and equity. However, existing messages from other business areas (such as settlement management, collateral management or cash management) may be mentioned if required for the sake of completeness.

The scope of this MDR does not include Non Clearing Members communication, or derivative specific processes (this may be part of a next phase).

## Groups of *MessageDefinitions* and Functionality

**Note that these *MessageDefinitions* are to be used with the ISO 20022 Business Application Header (head.001.001.01). The schema and more information about the Business Application Header (BAH) can be found on the** [**www.iso20022.org**](http://www.iso20022.org/bah.page) **web site**

### Groups

#### Trade Leg Messages

|  |  |
| --- | --- |
| **Message Name** | **Message Identifier** |
| TradeLegNotificationV03 | secl.001.001.03 |
| TradeLegNotificationCancellationV03 | secl.002.001.03 |
| TradeLegStatementV03 | secl.003.001.03 |

#### Net Position Message

|  |  |
| --- | --- |
| **Message Name** | **Message Identifier** |
| NetPositionV03 | secl.004.001.03 |

#### Margin Report Message

|  |  |
| --- | --- |
| **Message Name** | **Message Identifier** |
| MarginReportV02 | secl.005.001.02 |

#### Default Fund Contribution Report Message

|  |  |
| --- | --- |
| **Message Name** | **Message Identifier** |
| DefaultFundContributionReportV02 | secl.006.001.02 |

#### Buy-In Messages

|  |  |
| --- | --- |
| **Message Name** | **Message Identifier** |
| BuyInNotificationV03 | secl.007.001.03 |
| BuyInResponseV03 | secl.008.001.03 |
| BuyInConfirmationV03 | secl.009.001.03 |

#### Settlement Obligation Message

|  |  |
| --- | --- |
| **Message Name** | **Message Identifier** |
| SettlementObligationReportV03 | secl.010.001.03 |

### Functionality

See the Message Definition Report Part 2 for the scopes of the messages.

# *BusinessRoles* and *Participants*

A *BusinessRole* represents an entity (or a class of entities) of the real world, physical or legal, a person, a group of persons, a corporation. Examples of *BusinessRoles*: “Financial Institution”, “Automated Clearing House”, “Central Securities Depository”.

A *Participant* is a functional role performed by a *BusinessRole* in a particular BusinessProcess or BusinessTransaction: for example the “user” of a system, “debtor”, “creditor”, “investor” etc.

The relationship between *BusinessRoles* and *Participants* is many-to-many. One *BusinessRole* (that is, a person) can be involved as different *Participants* at different moments in time or at the same time: "user", "debtor”, "creditor", "investor", etc. Different *BusinessRoles* can be involved as the same Participant.

In the context of Clearing, the high-level *BusinessRoles* and typical *Participants* can be represented as follows.



| ***Participants* and *BusinessRoles* definitions** | |
| --- | --- |
| **Description** | **Definition** |
| *Participants* | |
| (Individual or General) Clearing Member | A member of a clearing house. In a CCP context, a general clearing member clears on its own behalf, for its customers and on behalf of other market participants. Direct/individual clearing members clear on their own behalf and on behalf of their customers. |
| Central Counterparty | An entity that interposes itself between the counterparties to the contracts traded in one or more financial markets, on one or more trading venues, becoming the buyer to every seller and the seller to every buyer. |
| *BusinessRoles* | |
| Global Custodian | The party that safe keeps and administers assets on behalf of the owner (from ISO 20022) and that has a network of sub-custodians. |
| Sub-Custodian | The party that safekeeps and administers assets on behalf of the owner (from ISO 20022). |
| Broker | The party that provides services to its members for the settlement of transactions and holding of assets. |
| CCP | The infrastructure that will act as central counterparty. |

|  |  |  |
| --- | --- | --- |
| ***BusinessRoles*/*Participants* Matrix Table** | | |
| *Participants*  *BusinessRoles* | Clearing Member (G or I) | Central Counterparty |
| Global Custodian | X |  |
| Sub-Custodian | X |  |
| Broker | X |  |
| CCP |  | X |

# *BusinessProcess* Description

## *BusinessProcess* Diagram

This diagram pictures the high level *BusinessProcesses* covered by this project. These high level *BusinessProcesses*, if necessary, can be further split down into more detailed *BusinessProcesses* during the business modelling phase. The aim of the below is to describe the high-level scope of the project, not to be exhaustive. Some of the processes below (Collateral Management and Reporting processes) are shown for completeness purposes only but are not part of the scope of the Clearing project.



**Trade Management process:**

* Definition: Process by which the CCP creates two trades (after Novation) from the one received from the exchange and reports them to the Clearing Members (CMs). The Novation is the legal concept that enables a CCP to become the counterparty. Through novation the original contract between the buyer and seller is extinguished and replaced by two new contracts, one between the CCP and the buyer and the one between the CCP and the seller.
* Trigger: The process is triggered when the trading venue (either an exchange of a multilateral trading facility) notifies a trade to the CCP.
* Pre-conditions: CCP accepts the trade.
* Post-conditions: The Clearing member is notified of the trade.
* Role: CCP

**Risk Management process:**

* Definition: Process or approach that seeks to eliminate or at least minimize the level of risk associated with a business operation. This process encompasses three sub-processes: the netting, the margining and the Default Fund contribution processes.
* Trigger: During the day or at the end of the day, depending on each CCP’s internal rules, each clearing member ‘risk profile is evaluated.
* Pre-conditions: None.
* Post-conditions: Each Clearing Member may be requested to provide collateral to cover any risk identified.
* Role: CCP
* **Netting process:**
* Definition: Process by which a CCP takes all trades legs of a CM into account to calculate the net resulting position (client and house) which will be the basis for the margining process.
* Trigger: End of day milestones from all markets.
* Pre-conditions: None
* Post-conditions: The CCP nets all the positions (per margin account– House and Client). The Clearing Member is informed of the netting results and it reconciles his netting calculation with the CCP results (based on the netting parameters).
* Role: CCP
* **Margining process:**
* Definition: Process by which a CCP will collect margin from Clearing Members based on historical and current market value of securities held. If requirements are modified, margin calls are made to maintain the risk profile. Margin calls should be made at least once a day, intraday margin calls are possible. Margining requirements can be collected based on either net or gross positions held by a participant.
* Trigger: The process can be triggered by the completion of the netting process, but margin calculation can be done intraday. Each CCP will define when this calculation should be done.
* Pre-conditions: Net position has been calculated or a specific milestone is reached.
* Post-conditions: CCP sends a margin call to Clearing Member if required.
* Role: CCP
* **Default Fund Contribution process:**
* Definition: CCPs require participants to post assets in a clearing fund that can be used in the event of a default by a participant to compensate non-defaulting participants for losses they suffer due to this default. Contributions are linked to the riskiness of a participants’ activity as measured by margin posted, by size of position or sometimes by stress-testing results.
* Trigger: Participant risk level assessment.
* Pre-conditions: None
* Post-conditions: CCP sends a margin call to Clearing Member if required.
* Role: CCP

**Collateral Management process (out of scope):**

* Definition: Process by which CCPs and CMs manage collateral positions during the transaction processing to ensure the risk is mitigated. CCPs also set the rules for the substitution of collateral; indeed substitution can be done under specific rules defined by the CCP (for example, type of new collateral, concentration limits).
* Trigger: Calculation of the risk encountered by the CCP.
* Pre-conditions: Postings of collateral to cover the risk of default of the Clearing Member.
* Post-conditions: Movement on the clearing member collateral account.
* Role: CCP

**Settlement Management process:**

* Definition: The process of managing the correct settlement of the net open position of each clearing member. This process encompasses two sub-processes: the Settlement Netting process, the Buy-In process.
* Trigger: End of day milestones from all markets.
* Pre-conditions: The netting and margining processes are completed.
* Post-conditions: None
* Role: CCP
* **Settlement Netting process:**
* Definition: Process by which a CCP takes all trades legs of a CM into account and calculate the net resulting instruction (based on the CCP rules) that should be settled.
* Trigger: The trades netting is completed and, based on the settlement results received from the Central Securities Depository, the CCP updates the positions/instructions (CNS model only). It may also apply the announced corporate events to the impacted positions/instructions (this process is out of scope).
* Pre-conditions: None
* Post-conditions: Settlement Obligation is sent to each Clearing Member.
* Role: CCP
* **Buy-In process:**
* Definition: Process by which the CCP buy-in stocks to cover failed transactions.
* Trigger: Non settlement of a trade after a certain number of days (depending on CCPs’).
* Pre-conditions: The Clearing Member is not able to settle the trade(s).
* Post-conditions: Settlement of the trade.
* Role: CCP

**Reporting process (Out of scope):**

* Definition: Process by which CCPs provide reports on cash settlement information, on trade(s) that did not settle correctly at the settlement date, or on the valuation of the collateral posted by the clearing members.
* Trigger: End of day milestones from all markets.
* Pre-conditions: The CCP has received the report with all failed trades from the Central Securities Depository or the end of day process has generated reports that are sent out to the clearing members.
* Post-conditions: None
* Role: CCP

# Description of *BusinessActivities*

This section presents the different *BusinessActivities* within each *BusinessProcess*. *BusinessActivities* of a process are described in swim lane diagrams and are referred in this document as activity diagrams.

The development of an activity diagram is part of the ISO 20022 modelling process and allows capturing the requirements.

The activity diagram provides a zoom-in on the *BusinessActivities* taking place during each of the *BusinessProcesses* described in Section 4. It also shows the *BusinessActivities* that are triggered when another *BusinessActivity* has a negative result.

What is the activity diagram about?

* It is a diagram representing the ‘common lifecycle’ of a *BusinessProcess*
* A start point ⚫ shows where the lifecycle of the business process commences and the end points show End point where the lifecycle may possibly end
* A lozenge means a that a choice between several actions can be made
* A bar means a that several actions are initiated in parallel
* The flow of activities between the involved *Participants* (parties)
* *BusinessActivities* may result in different actions, that is, information is conveyed from one party to another party.

Both in scope and out of scope activities are included, with a different level of details. There are no information requirements for out of scope activities, except that they should be clearly identified in the diagram.

Activity diagrams are always accompanied with a text describing the *BusinessActivities* and their interactions.

## *BusinessProcess* - Trade Management



| **Descriptions of the *BusinessActivities*** | |
| --- | --- |
| **Central Counterparty (CCP)** | **Clearing Member (CM)** |
| **Accept trade**:  After acceptance of a trade, the CCP splits the trade into two legs. The CCP becomes thus the counterparty of both the seller and the buyer.  Generally, the buyer and the seller become anonymous (depending on the markets).  At the end of the day (or during the day depending on each CCP’s internal process), the CCP reports a summary of all trades that occurred for a specific period in that day. This reporting can then be done intra-day or end of day. | **Process the trade information:**  Technical and business validation of the transaction before further processing.  There are two cases:  1) The CM receives trades from the CCP and from its Trading Member Firm. If the CM does not pair or match the trade received from the CCP with a trade received from a trading member firm, the CM contacts this trading member firm (out of scope).  2) The CM only received trades from the CCP and in this case, the CM can never identify an incorrect trade (since the CM has not received the trade confirmation from the trading firm. No matching can be done). |
| **Did the trading venue (Exchange or MTF) send a cancellation?**  **If NO,** end of this process.  **If YES,** the CCP cancels the trade leg.  **Note:** Cancellations by the trading venue are very rare. However, arrangements between trading and clearing venues exist to send opposite trades instead of cancellation. In this case, it would then fall into the flow “Accept Trade” above. | **Process cancellation:**  Technical and business validation of the details of the cancellation. |

## *BusinessProcess* - Risk Management – Netting Process



| **Descriptions of the BusinessActivities** | |
| --- | --- |
| **Central Counterparty (CCP)** | **Clearing Member (CM)** |
| **Milestone**: End of real time session (EOD)  **Note:** Some CCPs may request intraday margin based on provisional intraday net position. | The CM receives a business session status message (once all End of day milestones from all markets have been received) (out of scope). |
| **Position netting:**  The CCP nets all the positions (per margin account – house and client). | **Process Information:**  The CM is informed of the netting results and it reconciles its netting calculation with the CCP results (based on the netting parameters). |

## *BusinessProcess* - Risk Management – Margining Process



| **Descriptions of the BusinessActivities** | |
| --- | --- |
| **Central Counterparty (CCP)** | **Clearing Member (CM)** |
| **Calculate a risk**:  The CCP calculates the risk and sends a report to the CMs (with either the deficit or excess).  Note: This can be done at the end of the day or intraday. | **Process information:**  The CM reconciles its calculation with the CCP results (if possible, since the calculation comparison may be very difficult). |
| **Margin call follow up:**  After calculation of the initial or variation margin, the CCP requests or not the transfer of collateral (if the CM is in deficit, collateral is required). |  |
| **Scenario 1** |  |
| **Optional activity:**  When collateral is required, some CCPs may take cash automatically from the CM account (out of scope)[[2]](#footnote-2). |  |
| **Scenario 2** |  |
| **Optional activity:**  CCPs may send a margin call request (this depends on each CCP’s internal rules). | **Optional:**  Based on the margin call, the CM may propose to deliver specific collateral. |
| **Collateral accepted?** |  |
|  | **If Yes, deliver the securities/cash/other:**  The CM delivers the securities/cash accepted as new collateral (out of scope)[[3]](#footnote-3). |
| **If yes, receive the securities/cash/other:**  The CCP receives the securities/cash accepted as new collateral (out of scope)[[4]](#footnote-4). |  |
| **If no, notify the CM** | **Propose new collateral?** |
|  | **If Yes,** then process starts again.  **If No,** then process ends. |

## *BusinessProcess* - Risk Management – Default Fund Contribution Process



| **Descriptions of the BusinessActivities** | |
| --- | --- |
| **Central Counterparty (CCP)** | **Clearing Member (CM)** |
| **Assess participant risk level**:  The CCP evaluates the risk level of each participant based on each participant’s position (daily or monthly). |  |
| **Calculate the default fund contribution:**  Depending on the CCP’s internal rules, every day or once a month, the CCP calculates for each CM if the default fund contribution is sufficient or not. | **Process information:**  Internal validation of the information. |
| **Sufficient? Yes/No** |  |
| **If deficit:**  Either the CCP debits the CM account automatically or sends a payment instruction on behalf of the CM (if POA exists) - (out of scope)[[5]](#footnote-5).  The CCP may also send a Margin Call Request (optional, depends on each CCP’s rules)  **If excess:**  The CCP may return part of the contribution. |  |

## *BusinessProcess* - Settlement Management – Settlement Netting Process



| **Descriptions of the BusinessActivities** | | |
| --- | --- | --- |
| **Central Securities Depository (CSD)** | **Central Counterparty (CCP)** | **Clearing Member (CM)** |
| **Report the settlement results:**  The CSD sends the settlement result to the CCP (either the confirmation or pending or failed settlement). | **OPTIONAL**  **Positions/Instructions update:**  Based on the settlement result received from the CSD, the CCP updates the positions/instructions. |  |
|  | **OPTIONAL**  (some CCPs settle gross transactions)  CCP does trade netting |  |
| **Report the list of Corporate Events:**  The CSD sends the list of all corporate events (CEs) that are announced. | **OPTIONAL**  Based on the list of corporate events received from the CSD, the CCP selects those related to the positions/instructions.  The CCP will also apply these CEs to the impacted positions/instructions. |  |
|  | **Settlement Instructions:**  The CCP builds and sends all settlement instructions to the CSD and settlement obligations to clearing members. |  |
| **Process the instruction:**  The CSD processes the settlement instructions. |  | **Process the information:**  The CMs will send the settlement instructions to their paying agent unless they have signed a power of attorney with the central counterparty.  In the latter case, the CCP is responsible for sending the settlement instructions to the CSD on behalf of the CM. |
| **Failed Trades:**  The CSD sends a report with all failed trades and the CCPs will also report these failed trades if the GCM is not part of the settlement chain. |  |  |

## Settlement Management – Buy-In Process



| **Descriptions of the BusinessActivities** | |
| --- | --- |
| **Central Counterparty (CCP)** | **Clearing Member (CM)** |
| **Identify position subject to buy-in:**  Depending on the CCP’s internal rules, when the CCP has identified the positions that did/will not settle on due time, it notifies the failing seller clearing member. | **Process the information:**  The CM may send a response to the CCP asking for some delay (only valid for continuous netting systems). |
| **Acknowledge the request:**  Process where the CCP acknowledges the request for a delay (this will be done via telephone) (out of scope). |  |
| **Notify buy-in process has been launched:**  The CCP notifies the failing seller clearing member that the buy-in process has been launched and that CCP tries to get the missing securities, for example, depending on the CCP, through an auction or by contacting a pool of preferred brokers. | **Process the information:**  Internal validation of the information. |
| **Cancel settlement instruction:**  The CCP cancels the settlement instruction sent previously to the CSD and creates a new one (settlement process (out of scope).[[6]](#footnote-6) |  |
| **Confirm the buy-in process:**  One business day after the buy-in date, the CCP confirms the buy-in process to all CMs that were bought in. | **Process the information:**  Internal validation of the information. |
| Any penalty fees or other buy-in fees will be debited from the clearing member account (payment process – out of scope)[[7]](#footnote-7). | **Cancel settlement instruction:**  The clearing member cancels the settlement instruction sent previously to the settlement agent/ CSD (settlement process – out of scope)[[8]](#footnote-8). |

# *BusinessTransactions*

This section describes the message flows based on the activity diagrams documented above. It shows the typical exchanges of information in the context of a *BusinessTransaction*.

Solid lines indicate mandatory messages.

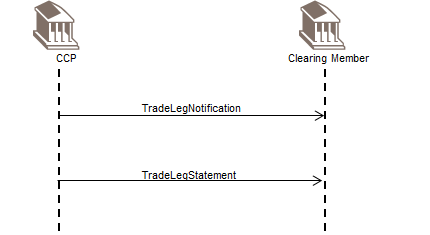
Dotted lines indicate optional/potential messages.

The sequence diagrams describe the message flows between the central counterparty (CCP) and the clearing member.

## Trade Leg Notification *BusinessTransaction*

The TradeLegNotification message is sent by the central counterparty (CCP) to a clearing member to report the trade that has been executed by the trading platform. Through novation the original contract between the buyer and seller is extinguished and replaced by two new contracts, one between the CCP and the buyer and one between the CCP and the seller. The CCP reports both sides of the trade from the clearing member perspective.

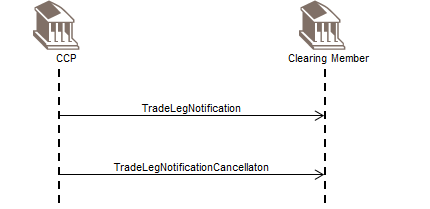
At the end of the day (or during the day depending on each CCP’s internal process), the CCP reports a summary of all trades that occurred for a specific period in that day, that is, the CCP sends the TradeLegStatement message to the clearing member.



## Trade Leg Notification Cancellation *BusinessTransaction*

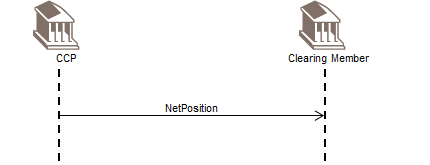
The TradeLegNotificationCancellation message is sent by a central counterparty (CCP) to the clearing member to notify the cancellation of a TradeLegNotification message previously sent.

The TradeLegNotificationCancellation message cannot be sent to notify the cancellation of the TradeLegStatement message.



## Position Netting *BusinessTransaction*

The NetPosition message is sent by a central counterparty (CCP) to the clearing member to report the net position of all trade legs reported during the day.



## Margining *BusinessTransaction*

The central counterparty (CCP) calculates the risk linked to the net position of each clearing member. The MarginReport message is sent by a CCP to the clearing member to report on:

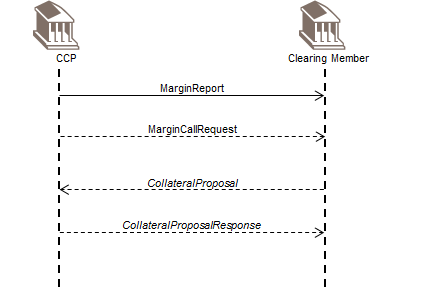
* the exposure resulting from the trade positions
* the value of the collateral held by the CCP (market value of this collateral)
* the resulting difference representing the risk encountered by the CCP.

**Optional flows:**

Depending on the CCP’s internal rules:

* The CCP may send the MarginCallRequest message in case the risk that has been calculated is greater than the amount of collateral that has been posted by the clearing member.
* The clearing member may propose specific collateral to cover the risk encountered by the CCP. In this case, the clearing member sends the CollateralProposal message. The CCP may respond using the CollateralProposalResponse message to either accept or reject the piece of collateral that was proposed by the clearing member. (This sequence of messages can be repeated in case of rejection of the collateral proposed).

*Note that these optional flows are not part of the scope of this project and will not be described in this document. They are only shown for the sake of completeness. For more information please refer to the Collateral Management project.*



## Default Fund Contribution *BusinessTransaction*

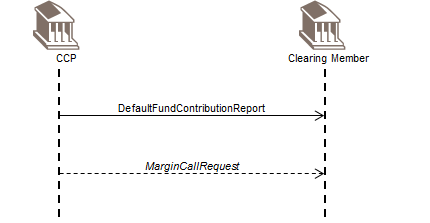
Central counterparties require participants to post assets in a clearing fund that can be used in the event of a default by a participant to compensate non-defaulting participants for losses they suffer due to this default. Contributions are linked to the riskiness of a participant's activity as measured by margin posted, by size of position or sometimes by stress-testing results.

The DefaultFundContributionReport message is sent by a central counterparty (CCP) to the clearing member to report on the calculation of the default fund contribution and the potential net excess or deficit.

**Optional flow:**

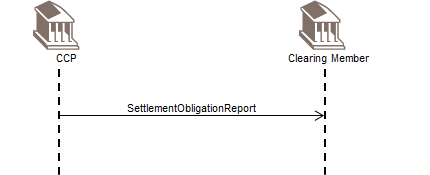
Depending on the CCP’s internal rules, the CCP may send a MarginCallRequest message for the deficit amount required to cover the default fund.

*Note that this flow is not part of the scope of this project and will not be described in this document. It is only shown for the sake of completeness. For more information please refer to the Collateral Management project.*



## Settlement Netting *BusinessTransaction*

The SettlementObligationReport message is sent by a central counterparty (CCP) to a clearing member to report on the settlement(s) obligation(s) that will be submitted for settlement.



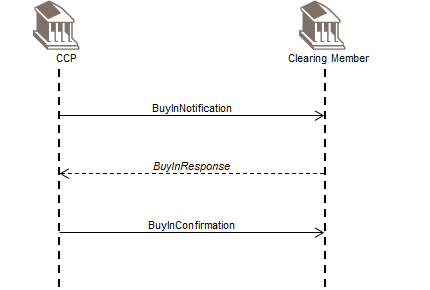
## Buy-in *BusinessTransaction*

The buy-in process is a process by which the central counterparty (CCP) buys in stock to cover failed transactions.

The BuyInNotification message is sent by a central counterparty (CCP) to the clearing member to notify the start of the buy-in process. This message can also be sent, as a warning, some days before the buy-in process actually starts.

The BuyInResponse message is sent by the clearing member to the CCP as a response to the previously sent buy-in notification message. The use of this message in the buy-in process is optional and depends on the rules set out by each central counterparty.

The BuyInConfirmation message is sent by the CCP to the clearing member to confirm the details of the transaction resulting from the buy-in process.



# Revision Record

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Revision** | **Date** | **Author** | **Description** | **Sections affected** |
| 0.1 | 28/11/2014 | Evelyne Piron | First draft version for review | All |
| 1.0 | 26/02/2015 | Evelyne Piron | Final |  |

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**Intellectual Property Rights**:

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1. National differences in the information technology and interfaces used by clearing and settlement providers should be eliminated via an EU-wide protocol. SWIFT should ensure the definition of this protocol through the Securities Market Practice Group (SMPG). Once defined, the protocol should be immediately adopted by the ESCB in respect of its operations*.* This barrier should be removed within a period of two years from the initiation of this project. [↑](#footnote-ref-1)
2. For SEPA payments please refer to the SEPA core direct debit scheme rulebook. [↑](#footnote-ref-2)
3. Please refer to Settlement and Reconciliation Message Usage Guide for more information [↑](#footnote-ref-3)
4. Please refer to Settlement and Reconciliation Message Usage Guide for more information [↑](#footnote-ref-4)
5. For SEPA payments, plus refer to the SEPA core direct debit scheme rulebook [↑](#footnote-ref-5)
6. Please refer to Settlement and Reconciliation Message Usage Guide for more information [↑](#footnote-ref-6)
7. For SEPA payments, please refer to the SEPA core direct debit scheme rulebook [↑](#footnote-ref-7)
8. Please refer to Settlement and Reconciliation Message Usage Guide for more information [↑](#footnote-ref-8)