HMRC - STSM125020 - Clearing And Settlement Agents

A financial organisation may provide clearing services for transactions undertaken by broking firms. Clearers assume responsibility for safeguarding buyers and sellers of equities and derivatives by guaranteeing the performance of each contract by ensuring delivery of the shares by the seller or against payment by the buyer.

In general terms, a clearer does not, unlike a settlement agent, settle trades on behalf of the individual seller or buyer by arranging shares to be delivered from their account to the buyer or conversely paying consideration money for shares acquired by the buyer. A clearer ensures that the shares and transferred from the seller’s account in CREST or consideration is paid by the buyer’s account in CREST on the agreed transaction settlement date.

A separate settlement agent would then be responsible for settling the trade, ensuring that the shares are transferred to the buyer and the money to the seller.

Previous page

Next page