

XONTRO<sup>®</sup>

XONTRO Newsletter

Financial Institutes

No. 58

**Internal Settlement**

From May 7<sup>th</sup> 2012 on, it will optionally become possible for financial institutes to conduct the trade settlement for a pre-defined "network" of CBF account numbers by themselves, i.e. internally. Trades contracted between any of the CBF accounts of such a network will not be forwarded onto CBF; as a consequence, there will be no settlement transaction done by CBF.

The rule outlined above will apply to all types of trades (makler-mediated, on-exchange, off-exchange, bank-OTC) except for INVESTRO trades. But there is the configurable set up option to only exclude makler-mediated trades (on-exchange and off-exchange) from the CBF processing, i.e. bank-OTC trades will continue to be forwarded to CBF. Cancellations and trade reversals are treated like the original trades, this means that if the original trade was not forwarded to CBF, then neither the cancellation nor the trade reversal will be forwarded to CBF, notwithstanding the possibility that the network for internal settlement may have been modified in between.

The booking of securities' deliveries and payments resulting from the trades will then have to be done internally by the financial institutes themselves.

Potential price differences and brokerage fees are not affected by this new rule; they will still be balanced automatically as before via the CBF cash clearing procedures, together with all remaining trades.

Trades that are not forwarded onto CBF will be flagged accordingly within the contract notes (Schlussnoten) - except in the condensed online retrieval version BxAG AK.

As not all stock exchanges have decided to offer this new option, only CBF account numbers belonging to the participating stock exchanges may be included into the network compounds. As for now, this is only valid for CBF accounts from Berlin, Düsseldorf, Hamburg, Hannover, Stuttgart and München.

All contract notes (Schlussnoten) of the CBF-accounts belonging to a specific network must be sent to a settlement institute defined by the "network owner". If contract notes must be redirected within this context, applications can be filed with BrainTrade by the usual form.

It is also possible to assign a given CBF number to more than one network. These trades will not be forwarded to CBF either. In such a case, differences have to be balanced between the "network-owners", who have to come to a mutual agreement. The balance can be arranged by an OTC trade via a separate CBF-number (which does not belong to the network) or the network chooses the option that only makler-mediated trades are settled internally.

A network can be installed from May 7<sup>th</sup> 2012 on, along with the introduction of the system enhancements within the production environment. If BrainTrade is informed until Tuesday such a network goes effective the next Monday. Test and simulation are possible from today on.

In what follows, the identification marks are described in detail for each variant individually:

## 1) Online Retrieval Extended Version (BxAG AL)

The addition „NON-CBF-GESCHAEFT“ (“Non CBF Trade”) will be inserted on the contract note.

```
TRAN: BRAG FC: AL SB: 010312#G#000001#####
XONTRO / ANZEIGE NACHWEISE (LANGFORM)                6123/99 FILDERBANK
ABRUF-NR.: G 1
KAUF - SCHLUSSNOTE GNR : S 120301 1080001
DE0005810055 DEUTSCHE BOERSE NA O.N.
V-ART: GS
NOM.: ST 22
KUNDENGESCHAEFT
KURS : 50,0000 K-WERT: 1.100,00
KONT.: 6789 BAD SODENER BANK AG
EING.: 6321 MAKLER NON-CBF-GESCHAEFT
ABR.-BETRAG: 1.100,00 EUR
BOSS/
EINGABE: 1.03.12 09.11.26
ABSCHLUSS: 1.03.12 07.11.00 AB
-- ID-KZ: 6123456789 -- PW: ----- B999805A -- 07/03/12 -- 08:20:14 --
BC0020I WEITERE DATEN VORHANDEN: PF8
```

## 2) Contract Note Data Carrier Form and Realtime Note S.W.I.F.T. Format

Within the MT512, the Label 57B will be used for identification:

Label 57B	Information along with CCP transaction	<u>1a</u> [ <u>4n</u> ]
	– CCP trade Indicator:	<u>1a</u>
	‘J’ – CCP trade exists	
	‘I’ – Internal Settlement applies; trade will not be forwarded onto Clearstream/CBF/LION	
	– CBF account number	[ <u>4n</u> ]
	– of clearing member – along with a CCP trade	
	– of trade confirmation recipient – along with Internal Settlement	

**Label 57B: Information in case of CCP – transactions*****Field: Indicator 'CCP transaction' resp. 'Internal Settlement':***

All Floor trades, Xetra Frankfurt trades and OLN contract notes (originating from Xetra trades subject to Order Level Netting on Xetra Frankfurt or Xetra Frankfurt 2) with CCPs as counterparties leading to CCP transactions will be marked as such. These CCP transactions are included in the CCP Gross Delivery Management (GDL).

Trades subject to Internal Settlement are flagged with the character constant 'I'; those trades flagged with an 'I' will not be forwarded onto Clearstream/CBF/LION; they will have to be accounted/booked by the contract note recipients (identical to Label 72, 2<sup>nd</sup> row) themselves.

***Field: CBF account number (Clearing Member resp. Recipient):***

In case of CCP transactions (Floor, Xetra Frankfurt or Xetra Frankfurt 2), this field contains information about the trading member's settlement institution and his/her CBF – account no. (= NCM according to CCP criteria). If there are no entries in the customer master data, this field remains blank.

Along with Internal Settlement, the contract note recipient's CBF account number (identical to Label 72, 2<sup>nd</sup> row) is inserted here.

**3) Realtime Note FIX Format**

On Tag 452 Party-Role = „21“, along with NON CBF Trades, the CBF account number of the contract notes recipient will be delivered in Tag 448 Party ID.