

XONTRO[®]

XONTRO Newsletter

Financial Institutes

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(English Version)

This XONTRO newsletter provides information covering the following issues:

- Consistent default settlement period of t+2 for all ISIN classes

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1. Consistent default settlement period of t+2 for all ISIN classes

At present, the settlement for trades in so called “Non Collective Safe Custody Bonds” (“NCSC Bonds”) is done using the t+3 default settlement period (“International Value Date”, “FI”). Within the framework of the EU-wide harmonization of the trading and settlement rules and regs, the European Parliament has been asked to promote an initiative to introduce a default settlement period of t+2 for all instruments within all EU countries. Therefore, the conversion of the default settlement period from t+3 to t+2 will be introduced in XONTRO, too, for all ISINs, beginning on the 6th of October 2014.

The modification will be done on a due date. This means that: Up until October 3rd, 2014, everything will remain as it is now. Beginning on October 6th, 2014, all trades that receive a t+3 settlement period by default as of now will then (also) gain the default settlement period of t+2, i.e. they will not receive the “International Value Date” (“FI”) of t+3 any longer.

This rule will be valid with no exception for all trades using NSCS bonds and for all XONTRO exchange trading places: On-exchange, off-exchange, executed orders entered by intermediaries and banks, as well as (OTC) trades entered by banks and brokers. For the trade types mentioned lastly (“OTC entries” or “PUEV entries”), as of today it is permitted to overwrite the default settlement period (“FI t+3” for NCSC bonds) by a manual entry of “FZ t+1” or “FZ t+2” or “FZ t+3” or or “FZ t+90”. This option will remain valid after October 6th, 2014, too, with no further constraints.

As a result, starting on October 6th, 2014, besides from the „Default Value Date“ (= t+2 = „empty“ within the contract notes) there will only be two other value date flags: “FZ t+x” (manually entered value date) and “FE t+x” (“subscription value date”). The “FI” flag will then not be used in XONTRO any longer.

The regulation whereas trades having NCSC ISINs, but counterparties that do not own CBF NCSC settlement accounts, will be shifted from the NCSC custody into the “WPR” custody types, will continue to be applied after the 6th of October, 2014; the (identification of this) shift itself is, however, being done only within the Clearstream systems, not in XONTRO, since July 2013.

The accrued interest calculation will continue to be based on the „interest value date“ (= settlement date minus one calendar day) after the 6th of October, 2014, too; however, the “interest value date” will then, for NCSC bonds, be one day earlier than today by default.

The necessary adaptations within XONTRO will be made accessible for testing purposes by the XONTRO participants within the XONTRO simulation environment IMS27, beginning as of July 7th, 2014.