

T2S wave 1b Italy (Monte Titoli) customer impacts

Note: This is the current situation based on latest information gathered from the market and T2S. Should there be any changes we will inform you accordingly.

Clearstream Banking will implement the required adaptations to its systems in order to comply with the T2S mandatory specifications of Monte Titoli as well as those of its agents and/or depositories.

Customers are required to make the changes to their settlement instructions sent to Clearstream Banking as detailed below. Customers should also be aware of some changes to current market practices and align with their counterparties accordingly, where relevant.

- T2S settlement day and timings;
- Instruction types;
- Identification of CSDs in T2S;
- Identification of parties to settlement instruction;
- Matching rules;
- Countervalue difference;
- Allegements;
- Linked / back-to-back instructions;
- Hold and release;
- Partial settlement;
- Recycling rules;
- Bilateral cancellation;

All changes are applicable to the Clearstream Banking link to Monte Titoli.

Details about the migration and the impacts on customers pending instructions will be provided shortly.

T2S settlement timings

Note: All times are Central European Time (CET).

The settlement day in T2S will consist of the following steps:

- Start of day (SOD) preparation period from 18:45 to 20:00 on SD-1;
- Night-time settlement (NTS) from 20:00 on SD-1 until at the latest 03:00 on SD;
- Maintenance cycle from 03:00 to 05:00 during which no settlement takes place;
- Real time settlement from 05:00 to 18:00;
- End of day processing from 18:00 to 18:45.

The following settlement deadlines will be applicable to customers:

Link	Current EUR AP deadline	T2S EUR AP deadline	Current FOP deadline	T2S FOP deadline
Italy Monte Titoli operated by Intesa SanPaolo	16:15 SD	15:40 SD	16:30 SD	17:40 SD

Instruction types

In addition to allowing settlement free of payment and against payment in EUR, T2S will introduce the following new instruction types: PFOD (Payment Free Of Delivery), DWP (Delivery With Payment) and RWP (Receipt With Payment).

Customers can settle free of and against payment in EUR via Clearstream Banking in line with the requirements provided in this announcement. However, PFOD, DWP and RWP instructions will not be supported by Clearstream Banking in wave 1b and Clearstream Banking will reject such instructions if received from customers.

Identification of CSDs in T2S

In T2S, all CSDs will be identified by their BIC11. Customers are required to use the following BIC11 as Place of Settlement for domestic instructions in Monte Titoli in their settlement instructions:

CSD	BIC11
Monte Titoli	MOTIITMMXXX

For cross-border transactions, the Place of Settlement must contain the BIC of the counterparty's CSD. The Place of Settlement list proposed in CreationOnline will be amended accordingly.

If a customer uses a BIC8 to identify the Place of Settlement, Clearstream Banking shall be entitled to modify the BIC8 provided and the settlement instructions will be then processed by default with a BIC11 by adding the default XXX suffix to comply with T2S settlement rules. Accordingly, such customers agree to indemnify Clearstream Banking against losses, liabilities, damages, penalties, expenses and all other costs of any kind suffered by Clearstream Banking as a result of the customer not complying with the above requirement of using BIC11.

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Identification of settlement parties

Identification of the counterparty in the customer instruction

In T2S, the CSD participants are identified exclusively by the combination of their home CSD (SWIFT: PSET or CreationOnline: Place of settlement), that is, the PSET shall be the BIC of the CSD the counterparty uses to access T2S, and their BIC11 (SWIFT: REAG/DEAG or CreationOnline: Receiving/Delivering Agent).

If a customer uses a BIC8 to identify the Receiving/Delivering Agent, Clearstream Banking shall be entitled to modify the BIC8 provided and the settlement instructions will be then processed by default with a BIC11 by adding the default XXX suffix to comply with T2S settlement rules. Accordingly, such customers remain liable for any settlement fails that the use of the BIC8 may cause and the customers furthermore agree to indemnify Clearstream Banking against losses, liabilities, damages, penalties, expenses and all other costs of any kind suffered by Clearstream Banking as a result of the customer not complying with the above requirement.

Multi-market securities where the home and remote markets are both in T2S will no longer be identified with a Remote Common Code. As such, the Place of Safekeeping should no longer be used. Cross-CSD instructions between two In-CSDs are identified in T2S when the CSD of the instructing party and that of its counterparty are different.

Procedure for customers' counterparties

Customers are requested to inform their local counterparties to use the following details for instructions sent via Monte Titoli that settle against Clearstream Banking in T2S:

BIC11 of Clearstream Banking: CEDELULLXXX

In favour of/By order of: Customer BIC11 and account number of the Clearstream customer

Note: T2S does not report the account field with second party level in the allegement messages and we therefore recommend customers to request their counterparties to include the CBL account number in field :70C::PACO instead of :97A::SAFE.

Matching rules

General matching requirements

The matching of instructions with counterparties in Monte Titoli will take place in T2S. The following criteria are mandatory for free of and against payment instructions in T2S:

- Payment type;
- Securities movement type (values match opposite);
- ISIN code;
- Trade date;
- Settlement quantity;
- Intended settlement date;
- Delivering party BIC;
- Receiving party BIC;
- CSD of delivering party;
- CSD of receiving party.

For against payment transactions, the following criteria are also mandatory:

- Currency;
- Settlement amount.

Additional and optional matching fields

T2S also provides additional and optional matching fields.

Additional matching fields

The following additional matching fields are available in T2S:

- Opt-out indicator;
- Cum/Ex indicator.

These additional matching fields are initially not mandatory but, when one of the counterparties provides a value for them in its instruction, matching values must be provided by the other counterparty.

In their instructions to Clearstream Banking, customers may use the following fields:

Type and purpose of the additional matching field	Creation via SWIFT and CreationDirect	CreationOnline
Opt out indicator Customer wishes to opt out from market claims or transformations	:22F::STCO//NOMC	Opt-out indicator
Cum indicator Customer wishes to indicate its transaction as cum coupon	:22F::TTCO//CCPN	CUM/EX indicator
Ex indicator Customer wishes to indicate its transaction as ex coupon	:22F::TTCO//XCPN	CUM/EX indicator

Note: As Monte Titoli will not be providing market claims and transformations, these fields will not be considered but if the customer populates these fields, the customer must ensure that their counterparty indicates the same opt-out at instruction level; otherwise, the instructions will not match.

Optional matching fields

The following optional matching fields are available in T2S:

- Common reference;
- Client of delivering/receiving CSD participant;
- Securities account of the delivering/receiving CSD participant.

These optional matching fields are initially not mandatory and when one counterparty includes a value and the other does not, the instructions will match.

If both parties provide a value, this value must be identical in both instructions in order for them to match. If this is not the case, the instruction remains unmatched and will be reported as such to the customer.

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In their instructions to Clearstream Banking, customers may use the following fields:

Type and purpose of the optional matching field	Creation via SWIFT and CreationDirect	CreationOnline
Common reference Customer wishes to indicate a reference agreed with the counterparty	:20C::COMM	Common Trade Reference
Client of delivering CSD participant Customer wishes to specify the BIC11 or local code of the counterparty's underlying client	:95a::SELL	Client of delivering CSD participant
Client of receiving CSD participant Customer wishes to specify the BIC11 or local code of the counterparty's underlying client	:95a::BUYR	Client of receiving CSD participant
Securities account of the delivering party Customer wishes to specify the counterparty's account	:97A::SAFE with:95a::DEAG	Securities account of the delivering party
Securities account of the receiving party Customer wishes to specify the counterparty's account	:97A::SAFE with:95a::REAG	Securities account of the receiving party

Customers can use the above optional matching criteria to reduce the risk of cross-matching.

Reporting related to additional and optional matching fields

Clearstream Banking has adapted its best matching algorithm to take into account the additional matching criteria and report any mismatch accordingly. In the case of optional matching fields, a mismatch will only be reported if present on both the allegation and the customer instruction.

Any mismatch on the new matching criteria will be reported as follows:

Matching field	Reason codes in Creation via SWIFT and CreationDirect	Free text provided in narrative field
Common Reference	:25D::INMH NMAT :24B::NMAT IIND	/COMM/common ref on MT578 received by Clearstream Banking
Place of Settlement	:25D::INMH NMAT :24B::NMAT DEPT	/PSET/PSET on MT578 received by Clearstream Banking
Market Claim Indicator	:25D::INMH NMAT :24B::NMAT NARR	/STCO/NOMC
Ex/Cum Indicator	:25D::INMH NMAT :24B::NMAT NARR	/TTCO/CCPN or XCPN

Note: There is no change in CreationOnline.

Unmatched instructions

T2S does not report unmatched statuses on instructions that have failed to match in accordance with the T2S matching criteria. This means in practice that Clearstream Banking may not receive a status from its local agent/depository.

This change of service can be partly mitigated by customers via the allegation and matching service offered by Clearstream Banking. Clearstream Banking attempts to match customer instructions with the allegation received from its agents/depositories and reports to customers either an inferred matching or mismatch reason using the INMH status. In order for this service to be optimal we encourage customers to request that their counterparties quote the customer's Clearstream Banking account number in the counterparty's instructions.

For Monte Titoli eligible securities, Clearstream Banking's local agent will report MTCH//NMAT NMAT//CMIS upon receipt of the "Accepted" status from T2S. Any message will be forwarded by Clearstream Banking to its customers, upon receipt.

Countervalue difference

The following T2S cash tolerances will apply to instructions against counterparties in Monte Titoli (against payment instructions in EUR only):

- EUR 2 for transactions with an amount equal to or less than EUR 100,000; and
- EUR 25 for transactions with an amount greater than EUR 100,000.

Clearstream Banking will adapt its best matching algorithm when comparing the settlement amount accordingly.

Allegements

T2S will send allegation messages depending on the information indicated in the counterparty's instruction. Clearstream Banking may receive counterparty instructions alleged on its account at Monte Titoli and will report them to customers provided that the customer's Clearstream Banking account is present in the allegation and the allegation subscription is in place on the customer account.

The allegations will contain the additional and optional matching criteria described above. These can be used to correctly format instructions to ensure matching if it has not yet been sent to Clearstream Banking.

Linked instructions (back-to-back)

T2S provides functionality to link settlement instructions together. Clearstream Banking continues to offer instruction linking on its link to Monte Titoli via the existing back-to-back (B2B) service. The format of B2B instructions will remain unchanged.

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Hold and release

The hold and release feature available in T2S will be used by Clearstream Banking for pre-matching only. Therefore, once the customer's instruction is provisioned and released to the market, it will no longer be possible to place the instruction on hold.

If the customer's counterparty has placed its instruction on hold, we will report status/reason as follows:

Creation via SWIFT and CreationDirect: SETT//PENx PENx//PRCY

CreationOnline: Counterparty Instruction on Hold in CreationOnline.

Partial settlement

T2S will apply partial settlement when the delivering party does not have the full amount of securities or the receiving party does not have sufficient cash on the dedicated cash account (DCA) for settlement.

Customers' delivery and receipt instructions will continue to be provisioned for the full quantity and/or cash value before being released for settlement. Consequently, customer's delivery and receipt instructions may only settle partially if their counterparty is short of securities or cash.

Customers that do not wish their transactions to settle partially must provide field :22F::STCO//NPAR or Partial Settlement set to "No" in CreationOnline in their instruction.

Recycling rules

The following recycling rules will apply in T2S and will also be applicable to Clearstream Banking's link to Monte Titoli:

- Unmatched instructions will be recycled for 20 business days (starting from the initial settlement date), after which they will be cancelled.
- Unmatched cancellation requests will be recycled for 20 business days (starting from the date of receipt).
- Matched instructions will have no cancellation limit and will be recycled until a business rule is violated (for example, security reaches maturity).

Cancellation

T2S will introduce the following cancellation rules which will also be applicable to Clearstream Banking's link to Monte Titoli:

- Unmatched instructions: can be cancelled unilaterally by the party who placed the instruction at any time or until cancelled by T2S;
- Matched instructions: must be cancelled bilaterally by both counterparties.

For instructions that require bilateral cancellation, if the customer's counterparty sends a cancellation first, Clearstream Banking will report the status IPRC//CPRC or Processing – Cancellation Requested by your counterparty in CreationOnline on the customer settlement instruction.

If the customer sends the cancellation first, Clearstream Banking will report status/reason CPRC//CANP CANP//CONF on the cancellation request in SWIFT or Cancellation processing – Pending in CreationOnline.

Market claims and transformations

No compensation is offered by the market on bonds and on OTC trades in equities. Customers should liaise directly with their counterparty for compensation of coupon or dividend payments.

Buyer Protection

In line with the CA market standards (CAJWG), the T2S CA standards do not impose issuer CSDs to implement buyer protection functionality. However if applied by the issuer CSD, it could be either:

- an automated buyer protection functionality in accordance with agreed market standards; or
- a manual buyer protection mechanism, via a bilateral agreement between the respective counterparties by means of a manual process (no intervention of the market infrastructure regarding the exchange of buyer protection instructions).

If the issuer CSD offers a buyer protection service, it will handle the execution of the buyer protection and take actions on the underlying transaction (Hold / cancellation / transformation).

Note: It has been now confirmed that for the T2S wave 1b link of Clearstream Banking no buyer protection services will be offered by the issuer CSDs and therefore not by Clearstream Banking.

Further information

For further information, customers may contact Clearstream Banking Client Services or their Relationship Officer.

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Instruction specifications

In the following tables, M=Mandatory; O=Optional; C=Conditional

Creation via SWIFT and CreationDirect

MT540	Receive Free	Seq	MT541	Receive Against Payment
O :20C: :COMM //Common Reference ^a		A1	O :20C: :COMM //Common Reference ^a	
M :98a: :TRAD //Trade date/time		B	M :98a: :TRAD //Trade date/time	
C^b :90a: :DEAL //Deal price			C^b :90a: :DEAL //Deal price	
O :22F: :TTCO //CCPN or XCPN ^c			O :22F: :TTCO //CCPN or XCPN ^c	
C :70E: :SPRO ///TAX/Tax Identification Number ^d			C :70E: :SPRO ///TAX/Tax Identification Number ^d	
O :22F: :STCO //NPAR or COEX/PARQ ^e		E	O :22F: :STCO //NPAR, COEX/PARQ or COEX/PARQ ^e	
O :22F: :STCO //NOMC ^c			O :22F: :STCO //NOMC ^c	
M :95P: :PSET //MOTIITMMXXX ^{f g}		E1	M :95P: :PSET //MOTIITMMXXX ^{f g}	
M :95P: :DEAG //Counterparty's BIC8 or BIC11 ^g			M :95P: :DEAG //Counterparty's BIC8 or BIC11 ^g	
O :97A: :SAFE ^a //Counterparty's account in T2S			O :97A: :SAFE ^a //Counterparty's account in T2S	
O :95P: :SELL ^a //Ordering party's BIC8 or BIC11, if different from DEAG ^g			O :95P: :SELL ^a //Ordering party's BIC8 or BIC11, if different from DEAG ^g	
or :95Q: :SELL //Ordering party's name, if different from DEAG			or :95Q: :SELL //Ordering party's name, if different from DEAG	
or :95R: :SELL ^a //Ordering party's proprietary code, if different from DEAG			:95R: :SELL ^a //Ordering party's proprietary code, if different from DEAG	
O :97A: :SAFE //Ordering party's account			O :97A: :SAFE //Ordering party's account	
C :95a: :BUYR ^h //Beneficiary			O :95a: :BUYR ^h //Beneficiary	
C^d :95S: :ALTE //TXID/IT/Tax Identification Number			C^d :95S: :ALTE //TXID/IT/Tax Identification Number	
MT542	Deliver Free		MT543	Deliver Against Payment
O :20C: :COMM //Common Reference ^a		A1	O :20C: :COMM //Common Reference ^a	
M :98a: :TRAD //Trade date/time		B	M :98a: :TRAD //Trade date/time	
C^b :90a: :DEAL //Deal price			C^b :90a: :DEAL //Deal price	
O :22F: :TTCO //CCPN or XCPN ^c			O :22F: :TTCO //CCPN or XCPN ^c	
C :70E: :SPRO ///TAX/Tax Identification Number ^d			C :70E: :SPRO ///TAX/Tax Identification Number ^d	
O :22F: :STCO //NPAR or COEX/PARQ ^e		E	O :22F: :STCO //NPAR, COEX/PARQ or COEX/PARQ ^e	
O :22F: :STCO //NOMC ^c			O :22F: :STCO //NOMC ^c	
M :95P: :PSET //MOTIITMMXXX ^{f g}		E1	M :95P: :PSET //MOTIITMMXXX ^{f g}	
M :95P: :REAG //Counterparty's BIC8 or BIC11 ^g			M :95P: :REAG //Counterparty's BIC8 or BIC11 ^g	
O :97A: :SAFE ^a //Counterparty's account in T2S			O :97A: :SAFE ^a //Counterparty's account in T2S	
O :95P: :BUYR ^a //Beneficiary's BIC8 or BIC11, if different from REAG ^g			O :95P: :BUYR ^a //Beneficiary's BIC8 or BIC11, if different from REAG ^g	
or :95Q: :BUYR //Beneficiary's name, if different from REAG			or :95Q: :BUYR //Beneficiary's name, if different from REAG	
or :95R: :BUYR ^a //Beneficiary's proprietary code, if different from REAG			:95R: :BUYR ^a //Beneficiary's proprietary code, if different from REAG	
O :97A: :SAFE //Beneficiary's account			O :97A: :SAFE //Beneficiary's account	
O :95a: :SELL ^h //Ordering party			O :95a: :SELL ^h //Ordering party	
C^d :95S: :ALTE //TXID/IT/Tax Identification Number			C^d :95S: :ALTE //TXID/IT/Tax Identification Number	

a. Optional matching fields.

b. Mandatory on instructions related to "strip" bonds to enable Clearstream Banking to calculate the substitutive tax.

c. Additional matching fields.

d. The Tax Identification Number (TIN) is mandatory in instructions related to exempt omnibus beneficial owner accounts and to securities subject to the withholding tax system applicable as of 1 January 1997. It must be one of the TINs specified in the documentation received from the customer concerned - the self certification or other valid documentation required concerning an Italian company or partnership - and the exact format must be input.

e. Only provide in order to prevent partial settlement or to allow partial settlement from a predefined cash or quantity threshold.

f. For cross-border transactions, the Place of Settlement must contain the BIC of the counterparty's CSD.

g. If a customer uses a BIC8, Clearstream Banking shall be entitled to modify the BIC8 by adding the default XXX suffix to comply with T2S settlement rules. Accordingly, such customers remain liable for any settlement fails that the use of the BIC8 may cause.

h. **This optional matching field will be forwarded as received. CBL recommends the usage of BIC11 as this will be the market practice in Italy.**

Receive Free			Receive Against Payment		
O	Common Reference ^a		O	Common Reference ^a	
O	Partial Settlement ^b	Partial allowed (default in T2S) Quantity threshold Partial not allowed	O	Partial Settlement ^b	Partial allowed (default in T2S) Quantity threshold Cash threshold Partial not allowed
M	Trade Date		M	Trade Date	
C^c	Deal Price		C^c	Deal Price	
C	Settlement Processing	Tax identification number ^d	C	Settlement Processing	Tax identification number ^d
	Narrative			Narrative	
M	Place of Settlement	BIC	M	Place of Settlement	BIC
	Party	MOTIITMMXXX - Italy Monte Titoli ^e		Party	MOTIITMMXXX - Italy Monte Titoli ^e
M	Delivering Agent	BIC	M	Delivering Agent	BIC
	Party	counterparty's BIC		Party	counterparty's BIC
O	Account ^a	counterparty's account in T2S	O	Account ^a	counterparty's account in T2S
O	Seller ^a	BIC	O	Seller ^a	BIC
	Party	ordering party's BIC		Party	ordering party's BIC
or	Seller	Name and Address	or	Seller	Name and Address
	Party	ordering party's name		Party	ordering party's name
or	Seller ^a	Data source scheme	or	Seller ^a	Data source scheme
	Party	ordering party's proprietary code		Party	ordering party's proprietary code
O	Account	ordering party's account	O	Account	ordering party's account
O	Other Parties	Type: Buyer ^f Format: BIC, Name and Address or Data source scheme	O	Other Parties	Type: Buyer ^f Format: BIC, Name and Address or Data source scheme
O	Additional Indicators	Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^g	O	Additional Indicators	Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^g
O	Additional Indicators	Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^g	O	Additional Indicators	Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^g
Deliver Free			Deliver Against Payment		
O	Common Reference ^a		O	Common Reference ^a	
O	Partial Settlement	Partial allowed (default in T2S) Quantity threshold Partial not allowed	O	Partial Settlement	Partial allowed (default in T2S) Quantity threshold Cash threshold Partial not allowed
M	Trade Date		M	Trade Date	
C^c	Deal Price		C^c	Deal Price	
C	Settlement Processing	Tax identification number ^d	C	Settlement Processing	Tax identification number ^d
	Narrative			Narrative	
M	Place of Settlement	BIC	M	Place of Settlement	BIC
	Party	MOTIITMMXXX - Italy Monte Titoli ^e		Party	MOTIITMMXXX - Italy Monte Titoli ^e
M	Receiving Agent	BIC	M	Receiving Agent	BIC
	Party	counterparty's BIC		Party	counterparty's BIC
O	Account ^a	counterparty's account in T2S	O	Account ^a	counterparty's account in T2S
O	Buyer ^a	BIC	O	Buyer ^a	BIC
	Party	beneficiary's BIC		Party	beneficiary's BIC
or	Buyer	Name and Address	or	Buyer	Name and Address
	Party	beneficiary's name		Party	beneficiary's name
or	Buyer ^a	Data source scheme	or	Buyer ^a	Data source scheme
	Party	beneficiary's proprietary code		Party	beneficiary's proprietary code
O	Account	beneficiary's account	O	Account	beneficiary's account
O	Other Parties	Type: Seller ^f Format: BIC, Name and Address or Data source scheme	O	Other Parties	Type: Seller ^f Format: BIC, Name and Address or Data source scheme
O	Additional Indicators	Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^g	O	Additional Indicators	Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^g
O	Additional Indicators	Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^g	O	Additional Indicators	Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^g

a. Optional matching fields.

b. Only provide in order to prevent partial settlement or to allow partial settlement from a predefined cash or quantity threshold.

c. Mandatory on instructions related to "strip" bonds to enable Clearstream Banking to calculate the substitutive tax.

d. The Tax Identification Number (TIN) is mandatory in instructions related to exempt omnibus beneficial owner accounts and to securities subject to the withholding tax system applicable as of 1 January 1997. It must be one of the TINs specified in the documentation received from the customer concerned - the self certification or other valid documentation required concerning an Italian company or partnership - and the exact format must be input.

e. For cross-border transactions, the Place of Settlement must contain the BIC of the counterparty's CSD.

f. This optional matching field will be forwarded as received. T2S will only match if provided with a BIC or proprietary code.

g. Additional matching fields.