

Hungary: Implementation of new settlement system with T2S functionalities - customer impact

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

Clearstream Banking¹ will implement the required adaptations to its systems in order to comply with the T2S mandatory specifications of KELER.

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;
- Allegements;
- Hold and release;
- Recycling rules;
- Bilateral cancellation.

Note: Clearstream Banking does not offer settlement in EUR.

1. Clearstream Banking refers collectively to Clearstream Banking S.A., registered office at 42, avenue John F. Kennedy, L-1855 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B-9248, and Clearstream Banking AG (for CBF customers using CreationOnline), registered office at 61, Mergenthalerallee, 65760 Eschborn, Germany and registered in Register B of the Amtsgericht Frankfurt am Main, Germany under number HRB 7500.

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
KELER	N/A	N/A	17:40 SD	16:55 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 (HUF only) 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 and Clearstream Banking will reject such instructions if received from customers.

Identification of CSDs in T2S and KELER

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 their settlement instructions:

CSD	BIC11
KELER	KELRHUHBXXX

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.

Note: Cross-border Settlement between CSDs in T2S is only possible, if the corresponding technical configuration in T2S for cross-border links has been established by the CSDs linked to each other.

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 and Clearstream Banking will ignore any Place of Safekeeping equal to another CSD that has already migrated to T2S. 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 KELER that settle against Clearstream Banking in T2S and KELER:

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 KELER will take place in T2S or KELER depending on the location of the counterparty account. The following criteria are mandatory for free of and against payment instructions (HUF only) in T2S and KELER:

- 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 (HUF only);
- Settlement amount.

Note: For free of payment instructions, the counterparty's 11

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	Xact via SWIFT and Xact File Transfer	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

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The customer must ensure that their counterparty indicates the same opt-out and cum/ex indicator 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.

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

Type and purpose of the optional matching field	Xact via SWIFT and Xact File Transfer	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 Xact via SWIFT and Xact File Transfer	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.

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 CBF, CDCP, KDD, LuxCSD and OeKB 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.

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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:

Xact via SWIFT and Xact File Transfer: SETT//PENx PENx//PRCY

CreationOnline: Counterparty Instruction on Hold in CreationOnline.

KDD note: The T2S functionality Hold and Release will not be available for KDD eligible securities.

Recycling rules

The following recycling rules will apply in T2S and will also be applicable to KELER:

- 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 KELER:

- 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.

Further information

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

Instruction specifications

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

Hungary - KELER eligible securities - Instruction specifications¹

Xact via SWIFT and Xact File Transfer

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
O : 22F :	:TTCO //CCPN or XCPN ^b		O : 22F :	:TTCO //CCPN or XCPN ^b
O : 22F :	:STCO //NOMC ^b		O : 22F :	:STCO //NOMC ^b
M : 95P :	:PSET //KELRHUHBXXX	E1	M : 95P :	:PSET //KELRHUHBXXX
M : 95P :	:DEAG //Counterparty's BIC8 or BIC11 ^c		M : 95P :	:DEAG //Counterparty's BIC8 or BIC11 ^d
O : 97A :	:SAFE ^a //Counterparty's account in T2S or KELER		O : 97A :	:SAFE ^a //Counterparty's account in T2S or KELER
O : 95P :	:SELL ^a //Ordering party's BIC8 or BIC11, if different from DEAG ^b		O : 95P :	:SELL ^a //Ordering party's BIC8 or BIC11, if different from DEAG ^d
or : 95Q :	:SELL ^a //Ordering party's name, if different from DEAG		or : 95Q :	:SELL ^a //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
O : 95a : ^d	:BUYR //Beneficiary		O : 95a : ^d	:BUYR //Beneficiary

MT542	Deliver Free	Seq	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
O : 22F :	:TTCO //CCPN or XCPN ^b		O : 22F :	:TTCO //CCPN or XCPN ^b
O : 22F :	:STCO //NOMC ^b		O : 22F :	:STCO //NOMC ^b
M : 95P :	:PSET //KELRHUHBXXX	E1	M : 95P :	:PSET //KELRHUHBXXX
M : 95P :	:REAG //Counterparty's BIC8 or BIC11 ^d		M : 95P :	:REAG //Counterparty's BIC8 or BIC11 ^c
O : 97A :	:SAFE ^a //Counterparty's account in T2S or KELER		O : 97A :	:SAFE ^a //Counterparty's account in T2S or KELER
O : 95P :	:BUYR ^a //Beneficiary's BIC8 or BIC11, if different from REAG ^c		O : 95P :	:BUYR ^a //Beneficiary's BIC8 or BIC11, if different from REAG ^c
or : 95Q :	:BUYR ^a //Beneficiary's name, if different from REAG		or : 95Q :	:BUYR ^a //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 : ^d	:SELL //Ordering party		O : 95a : ^d	:SELL //Ordering party

a. Optional matching fields.

b. Additional matching fields.

c. 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.

d. This optional matching field will be forwarded as received. T2S will only match if provided with format BIC or proprietary code. If a customer uses a BIC8, Clearstream Banking will add the default XXX suffix to comply with T2S settlement rules. If not present, Clearstream will default the customer's matching BIC for the instructing account (refer to Announcement [A16033](#)).

1. For cross-border deliveries to OeKB in T2S only.

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CreationOnline

Receive Free		Receive Against Payment	
O	Common Reference ^a	O	Common Reference ^a
M	Trade Date	M	Trade Date
M	Place of Settlement Party	M	Place of Settlement Party
	BIC KELRHUHBXXX		BIC KELRHUHBXXX
M	Delivering Agent Party	M	Delivering Agent Party
	BIC counterparty's BIC		BIC counterparty's BIC
O	Account ^a	O	Account ^a
O	Seller ^a	O	Seller ^a
	BIC ordering party's BIC		BIC ordering party's BIC
or	Seller Party	or	Seller Party
	Name and Address ordering party's name		Name and Address ordering party's name
or	Seller ^a Party	or	Seller ^a Party
	Data source scheme ordering party's proprietary code		Data source scheme ordering party's proprietary code
O	Account	O	Account
O	Other Parties	O	Other Parties
	Type: Buyer ^b Format: BIC, Name and Address or Data source scheme		Type: Buyer ^b Format: BIC, Name and Address or Data source scheme
O	Additional Indicators	O	Additional Indicators
	Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^c		Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^c
O	Additional Indicators	O	Additional Indicators
	Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^c		Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^c
Deliver Free		Deliver Against Payment	
O	Common Reference ^a	O	Common Reference ^a
M	Trade Date	M	Trade Date
M	Place of Settlement Party	M	Place of Settlement Party
	BIC KELRHUHBXXX		BIC KELRHUHBXXX
M	Receiving Agent Party	M	Receiving Agent Party
	BIC counterparty's BIC		BIC counterparty's BIC
O	Account ^a	O	Account ^a
O	Buyer ^a	O	Buyer ^a
	BIC beneficiary's BIC		BIC beneficiary's BIC
or	Buyer Party	or	Buyer Party
	Name and Address beneficiary's name		Name and Address beneficiary's name
or	Buyer ^a Party	or	Buyer ^a Party
	Data source scheme beneficiary's proprietary code		Data source scheme beneficiary's proprietary code
O	Account	O	Account
O	Other Parties	O	Other Parties
	Type: Seller ^b Format: BIC, Name and Address or Data source scheme		Type: Seller ^b Format: BIC, Name and Address or Data source scheme
O	Additional Indicators	O	Additional Indicators
	Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^c		Type: Trade Transaction Condition Indicator Code: Ex Coupon or Cum Coupon ^c
O	Additional Indicators	O	Additional Indicators
	Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^c		Type: Settlement Transaction Condition Indicator Code: No Automatic Market Claim ^c

a. Optional matching fields.

b. This optional matching field will be forwarded as received. T2S will only match if provided with format BIC or proprietary code. If not present, Clearstream will default the customer's matching BIC for the instructing account (refer to Announcement [A16033](#)).

c. Additional matching fields.