MT396 Market Practice

Settlements Working Group

Version 1.2
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Author(s): ISITC Settlements Working Group

Document History

Version #	Change Date	Description of Change	Page
1.0	1/6/2016	Initial Draft -	<n.n (hyperlink)>
1.1	2/29/2016	Revised Draft -	
1.2	4/21/2016	Added Examples to Draft	
1.2	1/20/2017	Submitted Final for approval	

Table of Contents

1.0 Background

- There is no current report in which the banks provide firms a status of an FX trade clearing through an infrastructure like CLS.
- Investment Managers have started requesting the status information.
- Custodian Banks will provide this information and it was agreed that the information would best be provided in a standard format. This way the banks avoid developing individualized ad hoc reports for each IM.
- In order to provide a standard message, it was agreed to use a common group message MT N96 in the form or the MT396.
- A message Usage Guide was created for this specific message, which will provide a status from the custodian to an IM on an FX trade.
- This market practice is an adaptation of the MT396 MUG for more universal acceptance and use.

1.1 Scope
The status the infrastructure provides to their settlement members that can be passed along to investment managers.

Out of scope: Any status on an FX trade settling outside of the infrastructure.

1.2 Actors and Roles

Submitting Party	Receiving Party	Interested Party
Custodian banks	Investment Manager	Broker/Dealers
Infrastructure	Service Providers	Service Providers

1.3   Sequence Diagrams

Investment Manager   Custodian Bank   Infrastructure

MT304   MT304

MT396   Status is Pulled
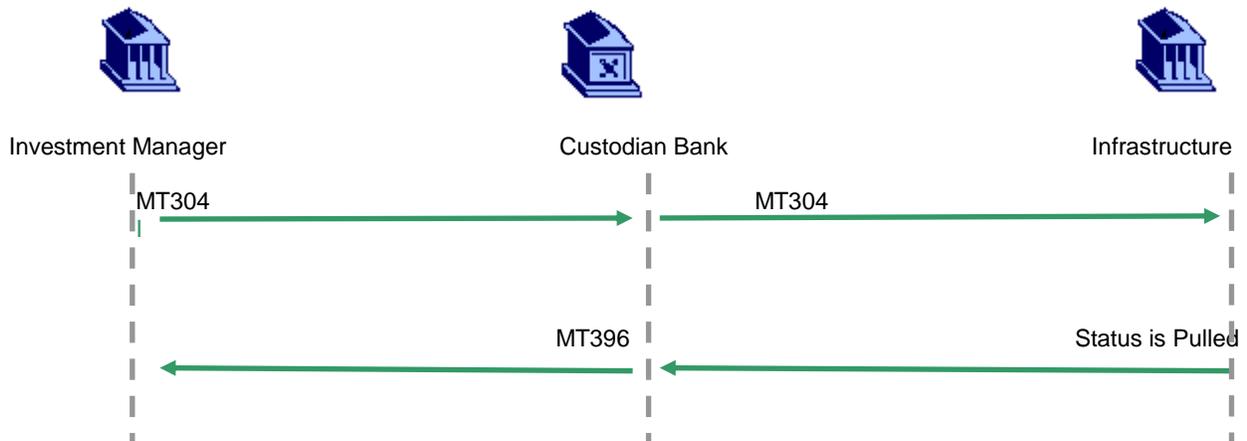
1.4   Activity Diagram

This flow is only one example using CLS Bank, but in theory the MT 396 can be used for status updates related to any infrastructure. *(Source: SWIFT Standards MUG Document)*
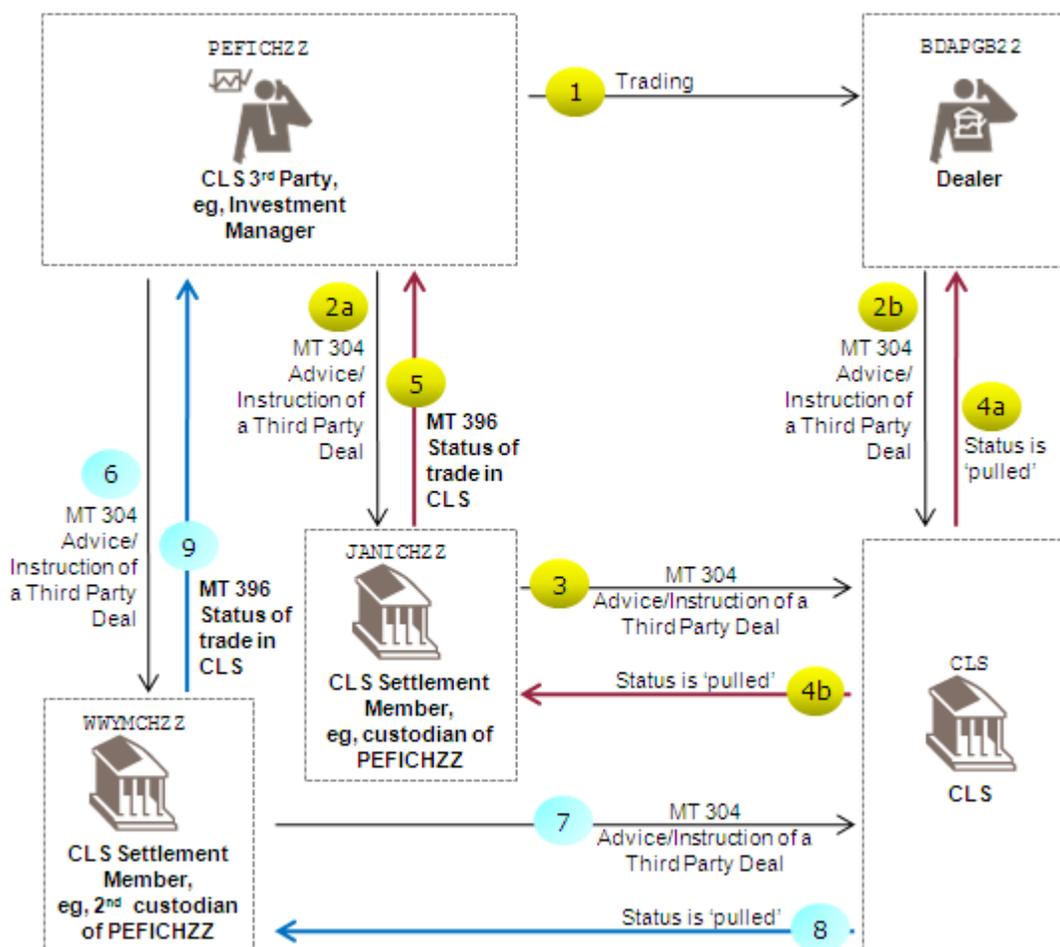

[1]   PEFICHZZ and BDAPGB22 agree on a FX trade.
[2a]   PEFICHZZ sends the details of the trade to its custodian, JANICHZZ with an MT 304
[2b]   BDAPGB22 sends the details of the trade to CLS with an MT 304.
[3]   JANICHZZ, in turn, submits the details of the trade to CLS with an MT 304
[4a]   BDAPGB22 retrieves the status of this trade from CLS gateway.
[4b]   JANICHZZ retrieves the status of this trade from CLS gateway.
[5]   Subsequently, JANICHZZ informs its client, PEFICHZZ, of the status of its trade in CLS using an MT 396.
[6]   PEFICHZZ, having agreed on a second FX trade with the dealer (dealer side is not shown), sends the details of the trade to it custodian, WWYMCHZZ with an MT 304.
[7]   WWYMCHZZ, in turn, submits the details of the trade to CLS with an MT 304
[8]   WWYMCHZZ retrieves the status of this trade from CLS gateway.
[9]   Subsequently, WWYMCHZZ informs its client, PEFICHZZ, of the status of its trade in CLS using an MT 396.

Thus, the CLS 3rd party may receive the status of its trade in CLS with an MT 396 from different CLS settlement members and if the MT 396 is not used in a consistent way, the CLS 3rd party has to deal with the differences.

2.0 Business Definition

2.1 Business Elements

Business Element	Comments
Transaction Communication	
Transaction Reference Number	Unique Sender Reference Number
Related Reference	IM's or Client's Reference Number, Links back to MT304 message. Mandatory per SWIFT Standards
Status Information	Code or Code Pair
Additional Reference Number	Use the IM Reference Number (or if IM has a secondary number use this instead)
Custodian or Service Provider Reference	If available
Infrastructure Reference Number	Use Reference number from the Infrastructure
MT and Date of Original Message	Optional : Message Type and Date on which the original message as sent

3.0   Appendix

3.1   Business Data

Business data	MT396	MP M / O / C	SWIFT M / O / C*	SWIFT UHB Field #
Transaction Reference Number – Message Identification	20:16x	**M**	**M**	1
• Unique transaction reference ID generated by account servicer for status message				
Related Reference Identification	21:16x	**M**	**M**	2
• The field 21 on the MT396 should contain the related field 20 sender's reference of the instruction sent to the account servicer for any NEWM instruction messages (MT304).				
Answers – Information reflecting status of a trade	76:/2n/4!c	**M**	**M**	3

• Recommendation of structured content within the narrative field 76 in order to provide a consistent format of status of FX Trades within the clearing infrastructure from the servicing party to the interested party.
 	
 SWIFT UHB FORMAT for field 76:
     6*35x (Narrative)
 	
 Market Practice usage recommendations for field 76:
     Line 1:   /4!c/ – Status Reason Codeword (see appendix for codeword listing)
     Previous Code/Current Code (Contain a code reflecting the Prior and Current status of the MT304 Instruction.
     If there is not a prior status then the current status code will be used for both positions.
 	
     Line 2:   /SREF/ - The reference used by the investment manager or other client to identify the trade.
     Recommended to use the IM Reference number from Tag 21 to align to SWIFT MUG document. (if the IM has a secondary reference number, it could be used here)
 	
     Line 3:   /PREF/ - This is the custodian's or other service provider's system generated reference.
     Recommended to use the account servicer's unique reference number from Tag 20 to align to SWIFT MUG document.
 	
     Line 4: /CREF/ - Reference assigned by a central infrastructure, such as the CLS system or CCP when the trade message is received.
     Recommended the Account Servicer should provide the Infrastructure's reference number.
 	
 Examples:
 76:/PACK/CAND
 /SREF/IMREFID123
 /PREF/CUSTREFID123
 /CREF/INFRREFID123				

Narrative – Original Message	79:/35*50x	**M**	**O**	4
o Recommended include all of the mandatory MT304 original fields. o Optional recommendation to also include the optional MT304 original fields				

3.2   Status Codes

Acceptance Status Codes

Code	Definition		
PACK	Accepted for Authorization		
ACLE	Accepted for Clearing		
ACCE	Accepted by Clearing Broker		
REJT	Rejected by Clearing Broker/FCM		
REJD	Rejected by Utility	Required for CLS	
SMRJ	Rejected by Settlement Member (Custodian)	Required for CLS	
IPRC	Accepted for Settlement		
CAND	Cancelled		
DUPL	Duplicate Exception		
EXCP	Exception		
FRIN	Failed Rescind Instruction		
INVA	Invalid	Required for CLS	
NOAU	Not Authorized		
PREA	Pre-accepted		
REIN	Reinstated		
REGC	Regulatory Checked		Optional for CLS
REGS	Regulatory Suspended		Optional for CLS
REPR	Repair		
RESC	Rescinded	Required for CLS	
SUSP	Suspended	Required for CLS	
VALI	Validated		Optional for CLS

Matching Status Codes

ALGD	Alleged	Required for CLS	
NLAL	No Longer Alleged	Required for CLS	
ERRR	Error		
MACH	Matched	Required for CLS	
NMAT	Unmatched	Required for CLS	
UNCO	Unconfirmed		
CONF	Confirmed		

Clearing Status Codes

CAND	Cancelled		
CLEA	Cleared		
NOVA	Novated		

PARK	Parked		
PENC	Pending Cancellation		
PENP	Parked Cancellation		
RECE	Received		
REJT	Rejected by clearing broker/FCM		
REJD	Rejected by CCP		
REJC	Rejected Cancellation		

Settlement Status Codes

SMAU	Settlement Authorized		Optional for CLS
SMAT	Settlement Mature		Optional for CLS
SMNA	Settlement Not Authorized		Optional for CLS
SETT	Settled	Required for CLS	
PART	Partially Settled	Required for CLS	
REJS	Settlement Rejected		Optional for CLS
SPLT	Split		Optional for CLS

3.3   Examples

SETTLED
```
:20:  CUSTREFID456
:21:  IMREFID456
:76:  ACCE/SETT
/SREF/IMREFID456
/PREF/CUSTREFID456
/CREF/INFRREFID456
```

CANCELED
```
:20:  CUSTREFID123
:21:  IMREFID123
:76:  PACK/CAND
/SREF/IMREFID123
/PREF/CUSTREFID123
/CREF/INFRREFID123
```