

Link between T2S transactions and T2S Transfers

INTRODUCTION

The securities account model in VP allows you to open VP accounts and T2S accounts for settlement on the two settlement platforms, respectively. In order to transfer securities between the two settlement platforms, VP has introduced the 'T2S Transfer'.

This document contains a functional description of the T2S Transfer and describes how to link T2S settlement instructions to a T2S Transfer in order to support one's individual settlement flow. More specifically, the document describes the settlement flow in the event that a client in a bank has a segregated VP account and buys from/sells to another bank in T2S.

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Functional description of T2S Transfers

T2S Transfers can be submitted during VP's opening hours from 05:00 to 01:45 CET, except from the T2S Transfer cut-off 17:00 to 18:00 CET during which point in time you cannot submit immediate T2S Transfers.

In order to ensure that there is no unsettled T2S Transfers at end of day, VP has introduced a T2S Transfer cut-off at 17:00 CET.

- If a T2S Transfer submitted prior to the cut-off has not settled, VP will initiate cancellation. If T2S receives/processes the T2S Transfer before the cancellation, the transfer may settle during cut-off.
- If an immediate T2S Transfer is submitted between 17:00 – 18:00 CET, the instruction is rejected.

	Backdated	Current date	Future date
From VP to T2S	Immediate T2S Transfer	Immediate T2S Transfer / T2S Transfer as part of a batch	T2S Transfer as part of a batch
From T2S to VP	T2S Transfer	T2S Transfer	T2S Transfer

If you submit a T2S Transfer while a batch is ongoing, the T2S Transfer will queue until the batch is complete. Further, if you submit a T2S Transfer during the end-of-day window or the maintenance window in T2S, the T2S Transfer will queue until these activities are finalized, respectively.

To indicate a T2S Transfer:

- Settlement Transaction Condition=DLWM (Delivery without matching) used in combination with Securities Transaction Type=OWNE (External Account Transfer) to or from a T2S account indicates that the transaction is a T2S Transfer.

From VP to T2S

The T2S Transfer instruction is registered as an immediate T2S Transfer if intended settlement date is current date or backdated and no batch is mentioned.

The T2S Transfer instruction is registered as a T2S Transfer as part of a batch if the intended settlement date is current date or future date and batch is registered.

From VP to T2S: Immediate T2S Transfer

In the event that you would like to transfer securities with immediate settlement, you can submit an immediate T2S Transfer. When the T2S Transfer is settled in VP, the securities are reserved on the receiving securities account and released when settled in T2S.

In case of short position on the VP account, VP will cancel the immediate T2S Transfer.

You may not submit the immediate T2S Transfer on status 'hold'. In such case, the T2S Transfer is cancelled by VP.

From VP to T2S: T2S Transfer as part of a batch

In the event that you would like transfer securities with a future intended settlement date or same day as part of a batch, you can submit T2S Transfer as part of a batch. The transfer of securities will be attempted settled in the requested settlement batch.

In case of short position on the VP account, the T2S Transfer will recycle to the next settlement batch.

Please note that if you instruct a T2S Transfer as part of a batch referring to a batch already ongoing/completed, the T2S Transfer will be rejected.

From T2S to VP

When transferring securities from T2S to VP, the instruction is attempted settled on the intended settlement day. You can submit the T2S Transfer with back, current or future intended settlement date.

T2S will try to settle the T2S Transfer on the intended settlement date. If this intended settlement date is back or current date, T2S will try to settle the T2S Transfer immediately upon receipt of instruction. In case of lack of securities, the T2S Transfer will be pending until sufficient securities or you cancel the instruction.

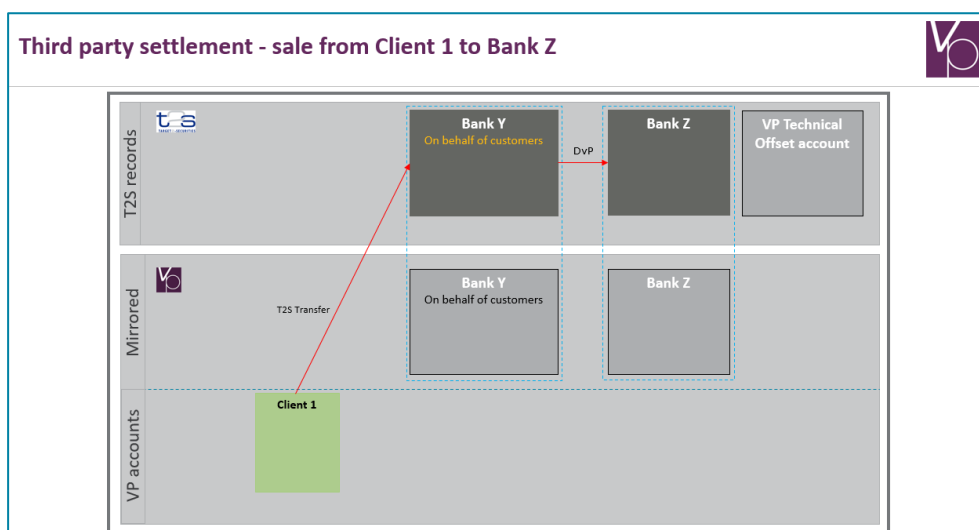
How to link a T2S settlement instruction to a T2S Transfer

The below describes how to link T2S settlement instructions with T2S Transfers and how the settlement flow will be in the event that a client in a bank buys from/sells to another bank. The example is based on the market practice in Finance Denmark on settlement of third party trades; however, the functionality may be used in other situations as well.

The examples use 'WITH' link functionality as this ensures that either the entire settlement chain takes place or not. However, you are able to use link functionality 'BEFORE and 'AFTER as well.

Client 1 in Bank Y sells to Bank Z

Bank Y instructs to sell to Bank Z.



Settlement with future settlement date

Bank Y instructs the DvP-transaction and links it to the T2S Transfer (not yet instructed).

On the intended settlement date, the T2S Transfer will settle as part of a Batch provided that client 1 has sufficient position. The position are preliminary moved from the VP account of client 1 to the T2S account of Bank Y 'On behalf of customers' where the securities are reserved until settlement is confirmed in T2S (i.e. settling 'WITH' the DvP-transaction¹. When the DvP-transaction settles VP sends out settlement confirmations for both the T2S Transfer and the DvP-transaction².

In case the DvP-transaction cannot settle, VP will at the T2S Transfer cut-off initiate a cancellation and reverse the preliminary booking of the T2S Transfer, meaning that the position will be moved back to the VP account of client 1³. The DvP-transaction will remain in T2S with status pending and recycle to the next settlement day. As the T2S Transfer will be

¹ Output in the VP proprietary format: TI20003v "Statement of holding after settlement batch" when the T2S Transfer settles in VP. No output in ISO 15022 or ISO 20022.

² Output for T2S Transfer: VP proprietary format: TI21217v "T2S Transfer confirmation", ISO 15022: MT546 "Confirmation", ISO 2022: sese.025 "Confirmation".

³ Output: VP proprietary format: TI20047v "Status of holding" and TI21215v "T2S Transfer state", ISO 15022: MT548 "Status Advice" (CAND/CANS), ISO 2022: sese.024 "Status Advice".

cancelled, Bank Y must reinstruct the T2S Transfer. To ensure that the instructions are still linked, Bank Y must also modify the DvP-transaction by submitting a modification request linking to the new T2S Transfer 'WITH' and remove the invalid link to the cancelled T2S Transfer⁴.

Immediate settlement

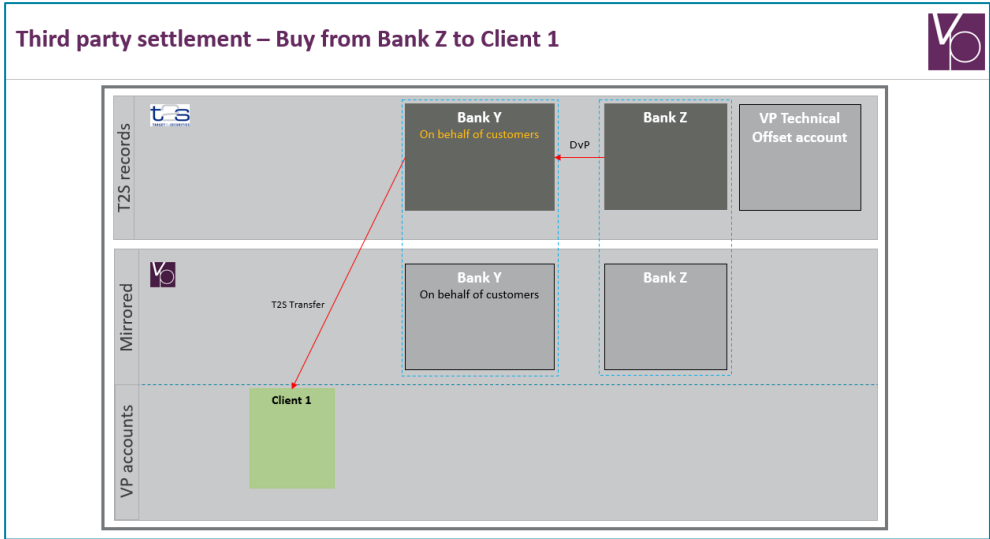
Bank Y may also instruct the DvP-transaction with back or current intended settlement date and link it to a T2S Transfer (not yet instructed).

It is important that the DvP-transaction is submitted prior to the T2S Transfer and the link is included in order to ensure that the instructions are linked before the immediate settlement attempt.

From this point in time, the settlement flow will be as if the T2S Transfer was instructed for a future settlement date, except that the T2S Transfer will not be part of a batch.

Client 1 in Bank Y buys from Bank Z

Bank Y instructs to buy from Bank Z.



Settlement with future settlement date

Bank Y instructs the RvP-transaction and link it to the T2S Transfer (not yet instructed).

On the intended settlement date, T2S will attempt settlement of the RvP-transaction during Night-time Settlement. Immediately upon settlement of the RvP-transaction, the T2S Transfer takes place and the securities are moved to the VP account of client 1. When the T2S Transfer is complete, VP sends out settlement confirmations for both the T2S Transfer and the RvP-transaction⁵.

⁴ It requires two modification requests to 1) submit a new link to the new T2S Transfer and 2) remove the invalid link from the cancelled T2S Transfer.

⁵ If communicating in the VP proprietary format, you will receive TI200047v "Status på beholdning" and settlement confirmations when the DvP-transaction and the T2S Transfer settles.

In case the RvP-transaction cannot settle during either the Night-Time or Real-Time Settlement in T2S, both the RvP-transaction and the T2S Transfer will be pending to the next settlement date.

Immediate settlement

Bank Y may also instruct the RvP-transaction with back value or current intended settlement date and link it to the T2S Transfer (not yet instructed).

It is important that the RvP-transaction is submitted prior to the T2S Transfer and the link is included in order to ensure that the instructions are linked before the immediate settlement attempt.

From this point in time, the settlement flow will be handled as if instructed for a future settlement date.

Important information when linking instructions

- In case you would like to link the T2S-transaction to the T2S Transfer, it is required that the T2S-transaction is known and registered in T2S before you submit the T2S Transfer.
- VP performs pre-matching, meaning that upon you receive a match notification, VP forwards the instruction to T2S for registration. VP suggests clients to include a time gap before submitting the T2S Transfer in order for the T2S-transaction to be registered in T2S.
- The link is created by linking the T2S-transaction 'WITH' against an account owner reference that you intend to include in the T2S Transfer. Afterwards, you instruct the T2S Transfer with the account owner reference stated in the T2S-transaction. Thereby, it is ensured that both the T2S-transaction and the T2S Transfer from the VP account of your underlying client to your designated T2S account will settle as a whole or not at all.
- In case the T2S Transfer is received and settled before the T2S-transaction is received and registered in T2S, the link is not registered. As a result the T2S Transfer can settle and in such event the T2S-transaction are cancelled due to invalid link. Please note that this especially may occur when submitting immediate T2S Transfers.
- When using WITH linkage, the intended settlement date on both the DvP-transaction and the T2S Transfer should be identical. Otherwise, the link will be invalid and the unmatched T2S-transaction is cancelled by T2S. In case, the T2S-transaction is matched, both the instruction of part and counterpart is cancelled.