



Insights on the usage of Minimum Settlement Unit, Settlement Unit Multiple and Deviating Settlement Units

*T2S Knowledge Base
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Key questions - What is this presentation about?

How does T2S quantity validation work?

It will be explained how the Minimum Settlement Unit (MSU), the Settlement Unit Multiple (SUM) and the Deviating Settlement Unit (DSU) are used in case of quantity validation

Which are the T2S partial settlement rules regarding MSU and SUM?

It will be explained how the Minimum Settlement Unit and the Settlement Unit Multiple are used in the partial settlement process

Which are the T2S auto-collateralisation rules regarding MSU and SUM?

It will be explained how the Minimum Settlement Unit and the Settlement Unit Multiple are used in the auto-collateralisation process

Which differences regarding the usage of MSU, SUM and DSU exist between Quantity Validation, Partial Settlement Rules and the Auto-collateralisation Process?

It will be shown a combined overview of the validations and rules regarding usage of MSU, SUM and DSU



Scope and Definitions

Usage of MSU, SUM and DSU

The Minimum Settlement Unit, the Settlement Unit Multiple and the Deviating Settlement Unit are defined per security and are used in different processes of T2S

| Term | Definition |
|----------------------------------|---|
| Minimum Settlement Unit (MSU) | Defines the minimum quantity or nominal of a security for settlement. The value could be zero. |
| Settlement Unit Multiple (SUM) | Defines that the settlement quantity or nominal must be a multiple of the defined value. The value must be greater than zero. |
| Deviating Settlement Unit* (DSU) | Defines lot sizes outside of the multiple that can settle for a given security. The value must be greater than the MSU. |

* Unlimited values can be specified



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Settlement Quantity Validation

These checks apply to the usage of MSU, SUM and DSU in case of settlement quantity validation and revalidation* of settlement instructions exchanging securities and intra-position movements:

- **Minimum Settlement Unit (MSU):** The settlement quantity must be equal or greater than the Minimum Settlement Unit
- **Settlement Unit Multiple (SUM):** The settlement quantity must be a multiple of the Settlement Unit Multiple, unless it is equal to a Deviating Settlement Unit. This check is not applicable to Corporate Actions
- **Deviating Settlement Unit (DSU):** The settlement quantity must be a deviating settlement unit. This check is not applicable to Corporate Actions

Note: The securities quantity of any settlement instruction exchanging securities and any intra-position movement, including corporate actions related instructions and instructions of a security with a deviating settlement unit, should not have more **number of decimals** than the number of decimals defined by the settlement unit multiple (SUM) of that security **

* The revalidation process is triggered either by a change in the Static Data or by the Start of Day period. In the revalidation of partially settled instructions the remaining quantity is used. Remaining parts, which fail the revalidation, will be canceled by T2S. (refer section 1.6.1.1.5 Revalidation process in UDFS v2.0)

** Refer Change Request T2S-0475-URD

Settlement Quantity Validation Checks:

- **MSU and (SUM or DSU)** for instructions not identified as Corporate Actions-related instructions*
- **MSU** for Corporate Actions-related instructions
- **Number of decimals consistent with SUM** for all instructions

*A Settlement Instruction is identified as a Corporate Action in T2S if the ISO transaction code is defined as CORP. A Settlement Restriction on Securities is identified as a Corporate Action in T2S if the field "CorpActnEvtId" is filled in.



Settlement Quantity Validation

Possible scenarios for Settlement Instructions in T2S

| Security | Minimum Settlement Unit | Settlement Unit Multiple | Deviating Settlement Unit |
|----------|-------------------------|--------------------------|---------------------------|
| ISIN A | 15 | 2 | 25 45 |

| Transaction Type | Settlement Quantity | Minimum Settlement Unit | Settlement Unit Multiple | Deviating Settlement Unit | Settlement Quantity Validation |
|------------------|---------------------|-------------------------|--------------------------|---------------------------|--------------------------------|
| TRAD | 100 | ✓ | ✓ | x* | SI is accepted |
| TRAD | 45 | ✓ | x* | ✓ | SI is accepted |
| CORP | 17 | ✓ | --- | --- | SI is accepted |
| CLAI | 17 | ✓ | x | x | SI is rejected |
| TRAD | 15 | ✓ | x | x | SI is rejected |
| CORP | 2 | x | --- | --- | SI is rejected |

✓ = Successful check
 x = Unsuccessful check



--- = No check
 x* = Not applicable



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Partial Settlement Rules

Refer Section 1.6.1.1.3
in UDFS v2.0

These rules apply to the usage of MSU and SUM in case of partial settlement. The DSU is not used in this process

- **Minimum Settlement Unit (MSU):** When doing a first partial settlement, T2S must take a settlement quantity equal or greater than the Minimum Settlement Unit. This is not applicable to subsequent partial settlements
- **Settlement Unit Multiple (SUM):** When doing a first or subsequent partial settlement, T2S must take a settlement quantity, which is a multiple of the Settlement Unit Multiple

Partial settlement rules

→ **MSU and SUM** for first partial settlement

→ **SUM** for subsequent partial settlement



Partial Settlement Rules

Scenario

| Minimum Settlement Unit | Settlement Unit Multiple | Deviating Settlement Unit |
|-------------------------|--------------------------|---------------------------|
| 15 | 2 | 25 45 |

| Settlement Quantity | Available Securities | First Settled Part | Remaining Part |
|---------------------|----------------------|--------------------|----------------|
| 100 | 90 | 90 | 10 |
| 100 | 45 | 44 | 56 |
| 45 | 40 | 40 | 5 |
| 26 | 14 | n/a | n/a |



Quantity Validation, Partial Settlement and Revalidation

| Security | Minimum Settlement Unit | Settlement Unit Multiple | Deviating Settlement Unit | | | | |
|----------|-------------------------|--------------------------|---------------------------|--|--|--|--|
| ISIN A | 15 | 2 | 25 45 | | | | |

| Transaction Type | Settlement Quantity | Settlement Quantity Validation | Remaining Quantity after partial settlement | MSU | SUM | DSU | Settlement Quantity Validation of Remaining Part |
|------------------|---------------------|--------------------------------|---|-----|-----|-----|--|
| TRAD | 100 | SI is accepted | 10 | ✗ | ✗* | ✗* | SI is cancelled |
| CLAI | 76 | SI is accepted | 30 | ✓ | ✓ | ✗* | SI is revalidated |
| CORP | 75 | SI is accepted | 55 | ✓ | --- | --- | SI is revalidated |
| TRAD | 45 | SI is accepted | 25 | ✓ | ✗* | ✓ | SI is revalidated |
| REPU | 45 | SI is accepted | 27 | ✓ | ✗ | ✗ | SI is cancelled |
| CORP | 20 | SI is accepted | 4 | ✗ | --- | --- | SI is cancelled |
| TRAD | 15 | SI is rejected | --- | --- | --- | --- | --- |

✓ = Successful check
 ✗ = Unsuccessful check



--- = No check
 ✗* = Not applicable



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Auto-collateralisation Rules

The Deviating Settlement Unit (DSU) is not used for auto-collateralisation transactions

These rules apply to the usage of MSU and SUM in case of auto-collateralisation process (Transaction Type COLI/COLO).

- **Minimum Settlement Unit (MSU):** When doing auto-collateralisation, T2S must take a settlement quantity equal or greater than the Minimum Settlement Unit
- **Settlement Unit Multiple (SUM):** When doing auto-collateralisation, T2S must take a settlement quantity, which is a multiple of the Settlement Unit Multiple

Auto-collateralisation quantity selection rules

→ MSU and SUM

Scenario 1:

| Minimum Settlement Unit | Settlement Unit Multiple |
|-------------------------|--------------------------|
| 3 | 5 |

Possible Quantities: 5, 10, 15, ...

Scenario 2:

| Minimum Settlement Unit | Settlement Unit Multiple |
|-------------------------|--------------------------|
| 15 | 2 |

Possible Quantities: 16, 18, 20, ...



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Overview of the usage of MSU, SUM and DSU

Overview which attributes are relevant in the different functions in T2S:

| Attribute Functions | Minimum Settlement Unit | Settlement Unit Multiple | Deviating Settlement Unit |
|---|-------------------------|--------------------------|---------------------------|
| Settlement Quantity Validation (For instructions not related to Corporate Actions) | Yes | Yes | Yes |
| Settlement Quantity Validation (For Corporate Actions) | Yes | No | No |
| First Partial Settlement Rules | Yes | Yes | No |
| Subsequent Partial Settlement Rules | No | Yes | No |
| Auto-collateralisation Quantity Rules | Yes | Yes | No |

Thank you for your attention

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