

Settlement Instructions

CA-CIB

ORGANIZATION, PROCESS & AXIS OF IMPROVEMENT

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Introduction

Standard Settlement Instructions

Which purpose? Which distinction?

- Pay clients and be paid as a client
- Mandatory for any financial transaction
- Need to make the distinction between Standard Settlement Instructions (SSI), and Settlement Instructions and/or Multiple Settlement Instructions : A standard Settlement Instruction allows Straight Through Processing (STP), while multiple standard instructions blocks STP & increase settlement error risk.

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Our organization

Our organization

A dedicated Settlement Instructions & Static Data Management team (located in Hong Kong)

- **Responsible for the maintenance of counterparties settlement instructions**
 - Creation and callback, update/amendment, closure within both internal and external systems
 - Internal: Calypso, Calypso Bonds, Summit, Murex, EAI/KFEE, RPA
 - External: Omgeo Alert, SSI Search, Bankers Almanach, Finastra, Bloomberg

- **As well as in charge of peripherals of Settlement Instructions**
 - CLS agreements
 - Netting methods
 - 83J Name
 - Message types (MT202, MT103, MT202COV + MT103, ...)
 - Methods to pay (Target, Swift, Direct, Euroclear, Cedel, Domestic, ..)

- **Responsible for the management and the communication of CA-CIB's own settlement instructions**

- **In charge of broadcasts management**

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Our process

Our process

- 1/ Front-Office, Middle-Office, Back-Office, clients send emails to SSI team mailboxes with supporting documents for creation/amendment/closure of Settlement Instructions and static data into corresponding systems for different CACIB entities (e.g. SSI documents sent by clients, Swift messages, confirmations, legal or netting agreements).
- 2/ SSI team checks consistency between client's name in our internal reference system and the one on settlement instructions provided.
- 3/ SSI team also checks that RMA key is in place in Swift Alliance, as well as several compliancy requirements: final beneficiary must include an IBAN for MT103 payments, specifications for some currencies for MT202 payments. If any information lacks for the SSI set-up, the SSI team reverts to the requestor for additional information.

A request must be handled **within 2 hours of receiving the email** and if it is not managed due to internal constraints, SSI Team must inform the requestor about said challenge and request it to do the necessary on its side (i.e. manual payment).

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Internal axis of improvement

Axis of improvement

Internal

| Internal issues, difficulties encountered | How to avoid it? |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Settlement instructions for new clients not available before 1st payment | Settlement Instructions to be provided at the onboarding stage |
| Partial set-ups due to too many currencies to be set up and multiple requests to clients | Direct requests to SSI & Static Data Management team instead of clients when a settlement instruction is missing and Clients' settlement instructions need to be filed/archived |
| Technical issues to manage Fx swaps when a settlement instruction amendment occurs between near leg and far leg processing | Set up of effective date ranges for settlement instructions and recycling of the stock of trades |
| Settlement Instructions not considered as matching criteria when matching trades confirmations which might lead to delay payment processing | Settlement Team is warned of such cases by Confirmation Team in order to ask for the set-up to SSI Team |
| No check of authorized signatories on SSI lists | |
| Technical issues to set-up Settlement Instructions with multiple intermediaries | |

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External axis of improvement

Axis of improvement

External

Communicate any amendments of our own SSI to Corporate clients as there is no « official » channel to do so which would include all the necessary authentications needed (list of authorized signatories) - heaviness and cumbersomeness of the process

Combination of too many systems and formats used as SSI reference/databases + too many asset managers/funds makes SSIs difficult to manage and authenticate - Risk of overlooking an amendment is heavy unless enough resources are affected to SSI management

Standard Market practices (2 weeks' notice prior any SSI change) is not always followed by clients (Corp.) - Risk of misdirected payment(s)

Only a few systems show Settlement Instruction changes, amendments, updates and there is no automatic update - Internal systems are manually updated in the end

As a proposal, a unique golden source could be set up for all stakeholders as well as a single format for submission of Settlement Instructions. This unique format would not leave room for interpretation as well as would allow automation of creation, update/amendment and closure.

