ACHIEVING SETTLEMENT EFFICIENCY
HOW WE ADD VALUE IN EUROPE
European post-trade continues to take steps towards increased efficiency and transparency, with the implementation of TARGET2-Securities (T2S) and regulations such as CSDR acting as a driver for harmonisation. However, market complexities, operational risks and challenges to comply with new regulations remain.

Therein lies the importance of partnering with a specialist like BNP Paribas Securities Services, to increase operational efficiency and take full advantage of the hidden value of expert settlement services.

BNP Paribas Securities Services, as the leading custodian in Europe, brings reliability and security to settlement, at the same time offering local market proximity and expertise.

We have a range of value-added services that enable our local custody clients to adapt our offering to their business activity, optimise liquidity and capital usage, and maximise their efficiency and control of settlement across European markets.
## Introduction

### What is Settlement Efficiency?

**Operate accurately, settle trades on time and STP**

We simplify your operations by:
- Providing easy and direct connectivity to all our European markets
- Taking charge of the operational complexity

We provide you with local expertise:
- Giving you specialised services to ensure a harmonised European service quality
- Adapting our service to your business model

### How do we help you achieve this?

**Function at a low cost**

We give you access to technology and robust infrastructure:
- Replacing fixed with variable costs

We process a large volume of European settlement across markets:
- You benefit from the economies of scale

**Efficient use of your asset inventory**

We facilitate cross border settlement:
- Through our European operating model and harmonised processes

We leverage our strong balance sheet and local access to the markets to provide you with:
- Credit, liquidity and fail coverage facilities, to help you manage your specific needs
Our European market coverage
KEY SERVICE POINTS

Due to our significant European expertise and market presence, we ensure your trades settle on time and at a reduced cost.

You can benefit from our harmonised T2S service in Austria, Belgium, France, Germany, Italy, the Netherlands, Portugal and Spain.

T2S MARKETS

Enhanced efficiency through:

- A single settlement platform, directly connected to T2S, providing a consistent user experience
- A broad range of ancillary services: cash management and financing, bespoke reporting, automated fail coverage
- Internalisation in omnibus markets, easing settlement operations

Possibility to leverage your own central bank money account to fund your T2S settlement activity while relying on us to operate and safekeep your securities.
OUR TAILORED EUROPEAN SERVICES EXTEND BEYOND T2S

HUNGARY

Only custodian providing:
• Automated trade status reporting
• Auto capture of executions and creation of netted settlement instructions
• Hold and release service

POLAND

Only participant offering:
• Full netting on Central Clearing Party (CCP) transactions
• Partial settlement for Over the Counter (OTC) transactions
• Hold and release capacities

SWITZERLAND

Connected to T2S and SIX SIS, offering real-time realignments between both settlement platforms

Broad range of ancillary services:
• Bespoke reporting
• Automated fail coverage

UNITED KINGDOM

Settlement and custody system tailored for UK market, all CREST transactions fully automated via SWIFT

Optimal liquidity use for settlement, through end-to-end services including issuance, paying agent and auto-collateralisation

Fully segregated account structure, maximising efficiency of allegement reports and market matching
Our European Market Coverage

You benefit from harmonised processes and our market scale

What Sets Us Apart

We are constantly building our business expertise and investing in technology to bring you more value in your settlement activity.
A full range of banking services
Our local market experts allied with our strong balance sheet allows us to analyse and identify the most relevant solution for your business. This permits you to adapt our service to your specific needs, through a range of added-value services.
Proactive liquidity management to ensure timely settlement of your transactions.

Reduce liquidity fees through auto-collateralisation in T2S or CREST.

Extend purchasing power for your back-to-back activity thanks to the securities in your portfolio (without immobilising them).

**Scope:** equities in major European markets.

Avoid fails, buy-in costs and mitigate reputational risk.

Collateral, borrowing and return process fully managed on your behalf with complete reporting.

Two options:

- **Delegated solution,** where our account manager identifies potential fails on a daily basis and requests a loan on your behalf under your pre-defined threshold.

- **Prior validation solution,** where our account manager seeks your authorisation to borrow the short position.

**Intraday Liquidity Optimisation**

**Cash Monitoring**

**Fail Coverage**

CASH MONITORING

Intraday cash balance based on your settled positions.

Cash forecast: anticipate your end-of-day cash balances with details per account or consolidated per accounts.

CASH MONITORING FAIL COVERAGE INTRADAY LIQUIDITY OPTIMISATION A FULL RANGE OF BANKING SERVICES

Comprehensive banking model enhances the efficient use of your liquidity and assets.
Achieving settlement efficiency in four steps
Enriched matching reporting
T2S performs matching controls on mandatory, optional or additional fields

- Matching on a real-time basis, we send your instruction for matching as soon as it is validated
- Enhanced reporting for matching failure, combining the matching details of all your unmatched instructions with the allegations received from T2S
- MT548 with unmatched reason codes
- MT548 with the repair reason, if your instruction falls into repair, so you can quickly fix the issue
- Consolidated report listing the trades in repair with the reasons at a flexible frequency to fit your needs

Real-time instruction control and enhancement

- Real-time controls to ensure compliance with T2S requirements
- Instruction enrichment with your BIC code or some counterparty details (if the counterparty is a BNP Paribas Securities Services client)
- SWIFT key words automatic replacement in your instruction
- MT548 with the repair reason, if your instruction falls into repair, so you can quickly fix the issue
- Consolidated report listing the trades in repair with the reasons at a flexible frequency to fit your needs

You can improve your efficiency and control at each step of the settlement cycle with these features.
Real-time basis monitoring of your positions via MT548

Intraday reporting of all pending trades at Intended Settlement Date with related reasons to avoid fails on full quantity, at a flexible frequency to fit your needs

Partially release your transaction: upon your instruction, we release only the available quantity for settlement deliveries whenever your account is insufficient to deliver the full quantity

Set a standing instruction for partial settlement: define a default set-up at your account level applying partial indicator to all your instructions

Increased settlement efficiency

Settlement occurs once trades are matched with your counterparty, in “release” status and with sufficient position in cash or securities

Step 3

Maximum control on your instruction priority

- Direct and fast communication to the market as Direct Connected Participant (DCP) to T2S
- Competitive deadlines: release of your instructions for settlement 20 minutes prior to T2S market cut-off (best effort beyond)
- Instruction release prioritisation
- Enriched “linkage and pooling” T2S functionality, linking your settlement instructions via an “indicator” or a “pool reference”

- Increase efficiency by setting up permanent priorities per counterpart, beneficiary, on-exchange
- Indicate priority level on a trade-by-trade basis
- Hold and release a trade through various standard MT54x instructions, MT530 messages or NeoLink
- Manage your transaction settlement sequence by applying linkage and pooling
- Benefit from the expertise of your dedicated account manager for the management of specific operations, e.g. delivery-redelivery, pair-off instructions, lending and borrowing

Step 4

SERVICE FEATURES

Increased settlement efficiency

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SERVICE FEATURES

YOU CAN

YOU CAN
Forthcoming settlement efficiency
FORTHCOMING SETTLEMENT EFFICIENCY
We put client experience and technology at the heart of our service

We not only offer insight on upcoming regulation changes, we ensure that our service and your activity is adapted to the changes, and we develop value-added services to enhance your experience.

We invest in new technologies and have devised new ways of working, including partnering with leading fintechs.

We aim to fast track innovation, so that our digital solutions will also help you to maximise your settlement efficiency.
FORTHCOMING SETTLEMENT EFFICIENCY  We put client experience and technology at the heart of our service

VALUE-ADDED REPORTING FOR CSDR*

Cash penalties and buy-ins, will be two of the main measures of the regulation to impact settlement in Europe.

Our services allow you to anticipate impacts and meet the reporting requirements of this regulation:

- Intra-day penalties and buy-in reporting alerting you to failing instructions, the forecasted penalty amount in case of failure and the time remaining to the buy-in threshold
- Daily and monthly penalties reporting via MT537 PENA and in NeoLink, giving a clear overview the penalty amounts applied
- New monthly metrics on fails subject to CSDR penalties, identifying securities, markets and counterparties, supporting your reconciliation process to identify trends and take action

Full details on the scope and impacts of the CSDR regulation are available in our CSDR Handbook and CSDR toolkit.

ACCESS TO DATA THROUGH APIs*

We are developing API standards together with SWIFT (based upon the ISO 20022 data dictionary) to ensure a wide adoption by the industry and optimise your investment in this area.

- Starting with trade status (MT548) and trade settlement confirmation (MT544, MT545, MT546, MT547)
- Self-service model approach: you get your information when you need and on the scope of your choice
- APIs can be leveraged to feed your IT platforms and third party providers like fintechs

* Application programming interfaces

ENHANCED COLLABORATION WITH SYMPHONY

We are implementing Symphony, a secure collaboration channel to further optimise your interactions with our platform and experts.

- Secure and integrated chat messaging
- Improved collaboration amongst dispersed teams
- Facilitating a more fluid interaction to resolve time critical tasks
- Acting as a channel to our chatbot (NOA) providing 24/7 responses to your queries

* Central Securities Depositories Regulation
WHY BNP PARIBAS SECURITIES SERVICES?

**Ranking**
Number one custodian in Europe, top five globally

**Safe and robust**
Wholly-owned by BNP Paribas, highest solvency ratio in our history, full segregation of clients’ assets

**Global-local model**
International reach, multi-local expertise and operational resiliency of global operating model

**Buy-side and sell-side client base**
Strong client franchise including large global institutions, serving buy-side and sell-side, increases internal settlements, reducing costs and risks

**Integrated bank**
Positioned within the BNP Paribas Group allows a comprehensive banking proposition, a flexible end-to-end offering and a holistic approach to clients' needs

**Multi-asset class and comprehensive suite of solutions**
One of few providers globally capable of offering the full suite of front to back services, across all investment strategies and asset classes

**Digital client experience**
Leader in the industry for implementing new technologies such as Artificial Intelligence and Natural Language Processing to enhance the client experience

**Reputation**
Trusted partner actively involved in multiple industry working groups

* Ranking based on assets under custody
GLOSSARY

- **API**: an Application Programming Interface is a set of programming instructions and standards for accessing and exchanging data
- **CSDR**: Central Securities Depositories Regulation is European regulation No 909/2014 and aims to improve securities settlement in the European Union (EU) and within its central securities depositories (CSDs)
- **DCP**: Direct Connected Participants are clients of the CSDs or of the national central banks which have been authorised to connect to T2S directly
- **ISD**: Intended Settlement Date, the date on which a trade will settle if the stock and cash are available
- **ISO 20022**: an international standard for electronic data interchange between financial institutions
- **NeoLink**: BNP Paribas Securities Services’ proprietary online client platform
- **NOA**: NextGen Online Assistant, self-service tool combining artificial intelligence, machine learning and natural language technologies
- **T2S**: TARGET2-Securities is a European Central Bank (ECB) platform or settlement engine with the stated objective of offering centralised delivery versus payment (DVP) settlement in central bank funds across all European securities markets
- **TD**: Trade Date, the date at which an order is executed in the market
- **SWIFT message types**:
  - **MTS30**: requests modification of a processing indicator or other non-matching information
  - **MTS37**: details reasons why a transaction is pending
  - **MTS44, MT545, MT546, MT547**: trade settlement confirmation messages
  - **MTS48**: advises on the status of a settlement instruction
  - **MTS4x**: settlement instruction and confirmation messages