MARGIN DIRECT
USER GUIDE

➤BNY

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GLOSSARY

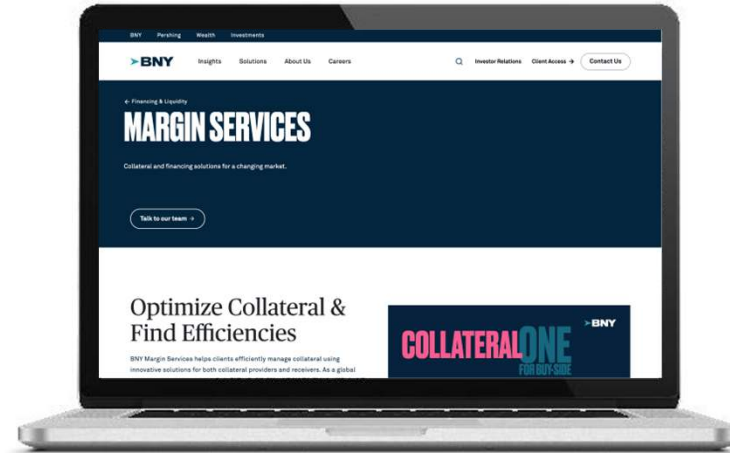| TERM	DESCRIPTION
Account Control Agreement (ACA)	Account Control Agreement defines the terms and conditions under which BNY will operate the segregated account
BNY Point of Contact	Your BNY contact for onboarding and operational set-up, assigned at the start of your onboarding process
Collateral Account Control Agreement (CACA)	Collateral Account Control Agreement defines the terms and conditions under which BNY will operate the segregated account
Collateral Administration	Outsourced agent that provides Collateral Management services for clients
Collateral Provider / Pledgor	The party providing margin. Referred to as the Collateral Provider throughout this document
Collateral Receiver / Secured Party	The party receiving margin. Referred to as the Collateral Receiver throughout this document
Concentration Limits	Ratio of the collateral portfolio that assets or asset types will be accepted. Once the limit is exceeded the specified asset will no longer be eligible to meet collateral obligations
CSD / CSA	Collateral Support Deed/ Annex. Bilateral agreement between Collateral Provider and Receiver
IM	Initial Margin
NEXEN	BNY's next generation technology platform that consolidates BNY's Services, third-party and client solutions to a single platform
Segregated Account	An account that is created for the purpose of allocating assets that are for the benefit of the Collateral Receiver in the event of the Collateral Provider's default
Triparty Custodian service	A low-touch segregation service. It maximises efficiency and flexibility for Collateral Providers by outsourcing many of the day-to-day segregation responsibilities to the Custodian
Undisputed Amount	In the event that parties do not fully agree the figure being called for margin, industry best practice is to still agree the lowest of the two calculated obligations – the Undisputed Amount.
Wrong Way Risk (WWR)	The risk that arises when there is a correlation between the credit quality of the pledged asset and the credit default of the Provider, for example the debt issuer of the collateral is part of the same group as the collateral Provider.

0.2
RELATED DOCUMENTS

Onboarding to BNY's Margin DIRECT service will require your firm to complete a number of forms that provide key information. The exact forms required will depend on a number of factors including the jurisdiction of your formation, governing law of the legal arrangement(s) and the BNY entity that has been contracted.

The relevant forms, as well as supplementary specifications and user guides that are referenced throughout this document are listed here and should have been provided to your firm already along with this guide.

If you do not have access to these documents, please speak to your BNY point of contact.

In addition to the supplementary documentation, BNY provides a high level guide to prepare for the Uncleared Margin Rules at

unclearedmargin.BNY.com/

DOCUMENT NAME	DESCRIPTION
Margin and Liquidity DIRECT Operations Pack	Enables firms to specify their static data and operational configuration preferences
TSQ - Tax Service Questionnaire	Data gathering form relevant to the markets of in-scope assets
BNY Electronic Access Form	Terms and conditions for your firm's electronic access to BNY portals
Liquidity Collateral Accounts QRG	Quick reference guide on how to instruct collateral movements through the Margin DIRECT platform
NEXEN Reporting QRG	Quick reference guide on how to create, manage and schedule reporting through the Margin DIRECT platform
ENP QRG	Quick reference guide on how to access, navigate and manage defaults through the ENP
Pledgor ENP Authorisation Form	ENP access configuration for Pledgors
Chargor ENP Authorisation Form (Region Specific)	ENP access configuration for Chargors
Secured Party ENP Authorisation Form (Region Specific)	ENP access configuration for Secured Parties

INTRODUCTION

What is the purpose of this document?

The purpose of this guide is to describe the key steps that Collateral Receivers/ Providers or collateral administration agents, will need to complete to onboard and set-up operationally at BNY's Margin DIRECT service.

What is Regulatory IM?

Regulatory IM compliance is rolled out across multiple phases between September 2016 and September 2022. The scope of entities caught for each phase is determined by a calculation of the Average Aggregated Notional Amount (AANA) in uncleared OTC derivatives over a prescribed period.

See the IM phase AANA threshold summary below.

COUNTRY	INITIAL MARGIN PHASES					
	PHASE 1 Sept-16	PHASE 2 Sept-17	PHASE 3 Sept-18	PHASE 4 Sept-19	PHASE 5 Sept-21	PHASE 6 Sept-22
US	$3tn	$2.25tn	$1.5tn	$0.75tn	$50bn	$8bn
EU	€3tn	€2.25tn	€1.5tn	€0.75tn	€50bn	€8bn
Japan	JPY 420tn	JPY 315tn	JPY 210tn	JPY 105tn	JPY 7tn	JPY 1.1tn
Canada	CAD 5tn	CAD 3.75tn	CAD 2.5tn	CAD 1.25tn	CAD 75bn	CAD 12bn
Switzerland	CHF 3tn	CHF 2.25tn	CHF 1.5tn	CHF 0.75tn	CHF 50bn	CHF 8bn
Singapore	SGD 4.8tn	SGD 3.6tn	SGD 2.4tn	SGD 1.2tn	SGD 80bn	SGD 13bn
Korea	N/A	N/A	N/A	N/A	TBC	TBC

For in-scope firms, the IM rules impose that any IM exchanged must be segregated in a manner that protects it from the default or insolvency of the collecting counterparty. Custodians have been chosen by the industry as the solution to the segregation of IM collateral.

As the IM rules demand gross two-way margin calls and collateral exchange (both Pledge and Receive requirements), each firm will appoint their own Custodian to segregate their pledged collateral. However, there is no requirement for both firms in a bilateral trading relationship to choose the same Custodian.

This means that in-scope firms will need to onboard and complete operational set-up at both their own Custodian and the Custodians appointed by their counterparties.

✔ KEY POINT – Further information on the changes firms must make under the IM rules can be found in BNY's 'Your Guide to the uncleared Margin Rules,' which you can find here.

1.0

BNY'S THIRD PARTY CUSTODY SERVICE - MARGIN DIRECT

BNY provides a Third Party Custodian service known as Margin DIRECT.

This service allows firms to take a direct role in the management of their collateral, aligned to the process used for bilateral collateral management, where both parties (Collateral Provider & Receiver) will be responsible for processes such as:

• Asset selection

• Eligibility checks

• Optimization

• Asset Valuation and Pricing

The assets are settled in the market to BNY who segregate them in a custody account for the benefit of the Collateral Receiver in the event of the Collateral Provider's default.

✓ KEY POINT – BNY also offer a fully outsourced Collateral Administration service that includes the SIMM calculation.
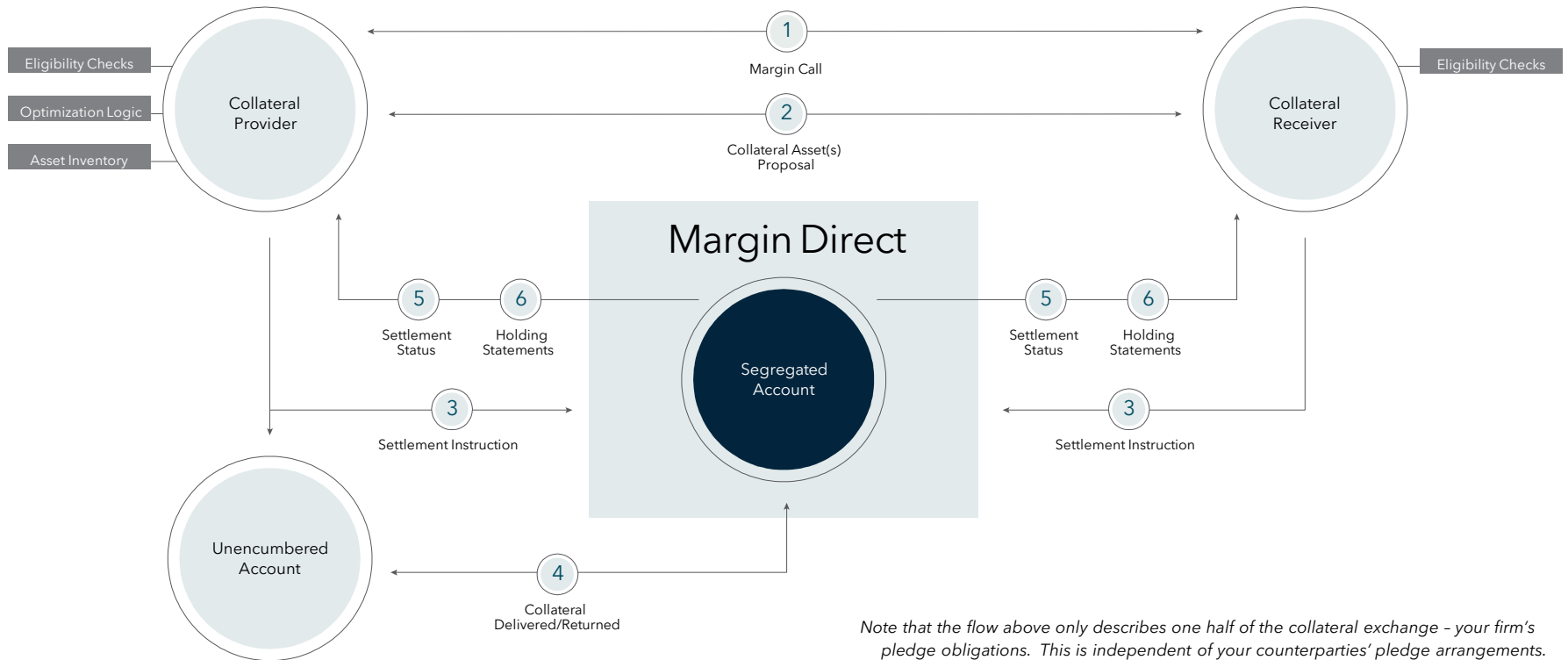
For more details on this service please contact your BNY point of contact.

EXAMPLE PROCESS FLOW

See an example high-level process flow for BNY's Third Party custody service below.

Note that the flow above only describes one half of the collateral exchange – your firm's pledge obligations. This is independent of your counterparties' pledge arrangements.

DAILY STEPS:

1.

A margin call is issued and the parties will review and agree the full or undisputed amount.

2.

The assets intended to be used to meet the obligation are proposed, and either agreed or rejected if the other party believes they do not meet the terms of the agreement. In determining the assets to propose / accept, both the Collateral Provider and Receiver must perform their own pre-acceptance eligibility checks i.e. minimum Credit ratings, Wrong-Way Risk (WWR), Concentration Limits and validate the value of collateral assets.

3.

The agreed collateral movements must then be instructed to BNY, by the Provider, Receiver or both depending on the direction of movement (and the collateral return model employed).

4.

Assets are settled per the instructions in the market between the segregated Margin DIRECT account and the Collateral Providers unencumbered account (which may or may not also be held at BNY).

✓ KEY POINT – The Collateral Provider must instruct the unencumbered account that assets will be delivered from / returned to independently.

5.

BNY will publish status updates for the collateral instructions.

6.

End of day holding statements are published and should be consumed by both parties to reconcile against expected movements / collateral balances.

✓ KEY POINT – BNY does not perform any asset eligibility checks or optimization rules on the underlying assets, it is the responsibility of the Collateral Provider and Receiver to value the assets and ensure they comply with the regulations.

✓ KEY POINT – Should parties agree to the movement of multiple assets to meet the margin obligation, an instruction will need to be sent per asset.

1.1

ELIGIBLE COLLATERAL

What Type of Collateral can Margin DIRECT Support?

Margin DIRECT can support:

- Cash
- Fixed Income Securities
- Money Market Funds

Collateral eligibility should be discussed prior to onboarding with your BNY point of contact, to confirm all requested asset types are available.

The agreed markets will be documented with BNY as part of the onboarding process.

The eligible assets per relationship will be negotiated and documented with each client as part of the legal documentation.

✓ KEY POINT – Client(s) with a cash holding subject to a negative interest rate need to be cognisant interest will be debited by BNY as there is a cost on their cash holding.

✓ KEY POINT – Although cash may not be used for IM collateral, a cash account may be created by BNY for Coupon redemptions, equity dividends and/ or asset maturities. This will be discussed with your BNY point of contact.
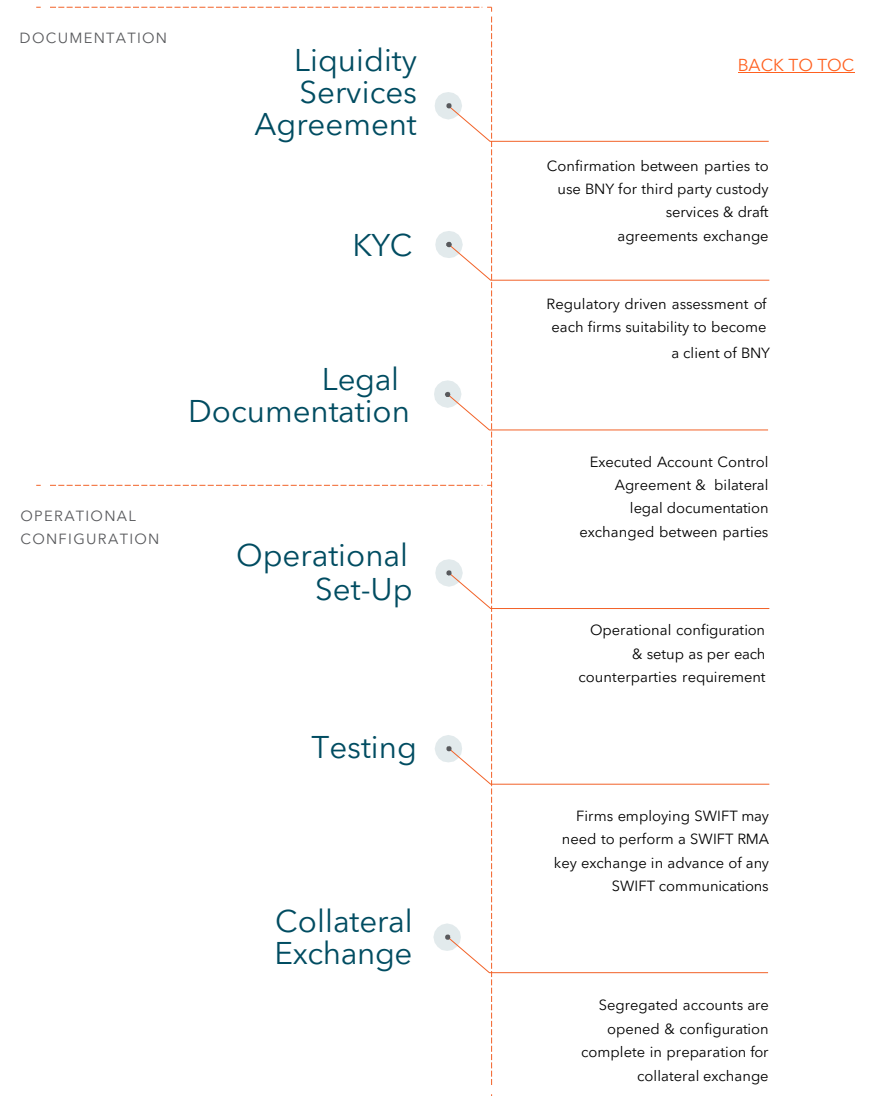
2.0

MARGIN DIRECT – ONBOARDING SUMMARY

There are multiple stages involved in onboarding to BNY's Margin DIRECT service.

The visual describes the key steps firms will need to navigate in order to be fully capable of exchanging collateral.

This guide has been structured to follow the same flow.

DOCUMENTATION

Liquidity Services Agreement

Confirmation between parties to use BNY for third party custody services & draft agreements exchange

KYC

Regulatory driven assessment of each firms suitability to become a client of BNY

Legal Documentation

Executed Account Control Agreement & bilateral legal documentation exchanged between parties

OPERATIONAL CONFIGURATION

Operational Set-Up

Operational configuration & setup as per each counterparties requirement

Testing

Firms employing SWIFT may need to perform a SWIFT RMA key exchange in advance of any SWIFT communications

Collateral Exchange

Segregated accounts are opened & configuration complete in preparation for collateral exchange

3.0

EXECUTED LIQUIDITY SERVICES CUSTODY AGREEMENT

Collateral Providers commence their journey when they provide BNY as a mandate to act as their custodian. The next step will be to work with your BNY Melon point of contact to execute the relevant Custody Agreement and Fee Schedule.

As a Collateral Receiver the journey will commence when BNY receive instruction from a Collateral Provider of their intention to pledge collateral to your firm through the Margin DIRECT platform.

Liquidity
Services
Agreement

KYC

Legal
Documentation

Operational
Set-Up

Testing

Collateral
Exchange

4.0
KYC

What is KYC?

Know-Your-Customer, more commonly known as KYC, is the due diligence process all Custodians use to make sure that each new legal entity passes any regulatory and internal checks to onboard as a client.

For BNY this involves your firm submitting key documents, as requested by BNY and instructed by your BNY point of contact.

✔ KEY POINT– KYC is completed at legal entity-level. This means if the Collateral Provider/ Receiver entity has not previously onboarded at BNY, then the full set of KYC requirements will need to be performed.

✔ KEY POINT – The KYC requirements specific to your firm will depend on your role as Provider or Receiver and the BNY entity(s) that you will be exchanging collateral through.

Liquidity
Services
Agreement

KYC

Legal
Documentation

Operational
Set-Up

Testing

Collateral
Exchange

What documentation is necessary to complete KYC?

All firms will need to provide a common set of documents or information, including but not limited to:

- Company Name
- Company Address
- Tax Identification Number
- Nature of the Business
- Company Formation Document (e.g. Articles of Association)
- Country and Year of Formation

Firms will need to provide additional documentation, depending upon:

1. Factors specific to your individual firm
2. The BNY entity that your Collateral Provider has elected to pledge IM through

✔ KEY POINT – Collateral Providers/ Receivers must liaise with their assigned BNY point of contact to confirm the full suite of documentation required to complete KYC for Third Party Custody Service.

When do I need to complete KYC?

KYC should be completed as soon as possible to avoid any delays in collateral exchange.

Receiving KYC approval is a prerequisite for firms to move onto legal contract execution (i.e. executing the Account Control Agreement - ACA) and the subsequent operational set-up tasks, so should not be delayed.

Your BNY point of contact will create a case for your firm and help determine the specific requirements applicable to you.

How do I know when KYC is complete?

Your BNY point of contact will inform you when you have completed the KYC process and therefore can move onto legal contract execution.

MIFID Classification

Where applicable, a MiFID Classification notice is sent by BNY to the client once KYC has been completed. There is not a requirement for the client to act; but information should be reviewed, and any discrepancies communicated to your BNY point of contact.

LEGAL DOCUMENTATION

There are multiple legal contracts clients will need to execute with their counterparties for each IM relationship, that fall into two categories:
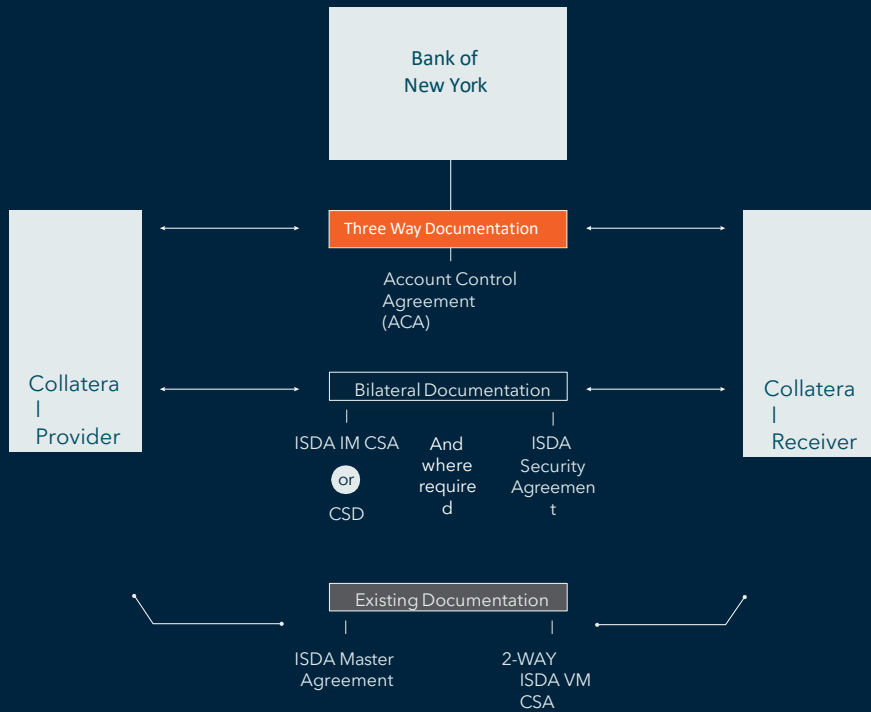
1. Bilateral – executed independently with the other trading party

2. Trilateral – executed between Provider, Receiver and BNY

Bilateral Contracts

Must be executed directly between the two bilateral parties, without BNY involvement i.e. Collateral Provider and Receiver. The IM legal documentation follows the bilateral variation margin process, both parties will need to review and sign an ISDA CSD and an ISDA Security Agreement where applicable. If an ISDA Security Agreement is required this will be part of the onboarding documentation.

Liquidity Services Agreement

KYC

Legal Documentation

Operational Set-Up

Testing

Collateral Exchange

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                    ┌─────────────┐
                    │   Bank of   │
                    │  New York   │
                    └──────┬──────┘
                           │
┌──────────┐      ┌────────────────────────┐      ┌──────────┐
│          │◄────►│ Three Way Documentation │◄────►│          │
│ Collatera│      └────────────────────────┘      │ Collatera│
│     l    │         Account Control              │     l    │
│ Provider │         Agreement                    │ Receiver │
│          │         (ACA)                        │          │
│          │◄────►┌────────────────────────┐◄────►│          │
│          │      │ Bilateral Documentation │      │          │
└──────────┘      └────────────────────────┘      └──────────┘
                   ISDA IM CSA   And      ISDA
                        │        where    Security
                      ( or )    require   Agreemen
                        │          d         t
                      CSD

                   ┌────────────────────────┐
              ┌───►│  Existing Documentation │◄───┐
              │    └────────────────────────┘    │
            ISDA Master          2-WAY
            Agreement            ISDA VM
                                 CSA
```

Trilateral Contract – The Account Control Agreement (ACA)

The Account Control Agreement (ACA) is a three-way contract which must be executed between the Collateral Provider, Collateral Receiver and BNY.

At a high-level, the ACA defines the terms and conditions under which BNY will operate the segregated account on behalf of the parties. The ACA will also identify collateral eligibility, agreed by all parties, which will be exchanged to meet IM requirements. In certain instances this document is also referred to as a CACA – Collateral Account Control Agreement.

The diagram to the left illustrates an example of the full set of documents, and the parties to each document, that firms would need to execute and have in place prior to the exchange of collateral.

Upon execution of the trilateral ACA, BNY will set up the segregated account and provide parties with the relevant account details.

✔ KEY POINT – The ACA is distributed to clients and counterparties on a strictly non-negotiable basis.

OPERATIONAL SET-UP

Liquidity Services Agreement

KYC

Legal Documentation

Operational Set-Up

Testing

Collateral Exchange

CONFIGURING PREFERENCES

The first step is to complete the BNY Margin and Liquidity DIRECT Operations Pack which specifies your firm's static data and operational preferences.

The Ops Pack is broken down into 10 sections and your BNY point of contact will confirm which sections are applicable to your firms circumstances.

#	TITLE	PURPOSE
1	Account Details	Specify the account(s) that the terms will apply to
2	Authorised Users	Establish users and permissions in the online portals
3	Cash Wire Instructions	Specify the SSIs for cash movements
4	Securities Instruction Template	Specify the SSIs for non-cash movements
5	SWIFT Communications	Configures SWIFT preferences (if applicable)
6	Client Correspondence	Specify mailing details for client notices
7	Call Back Form	Identify contacts to validate SSIs
8	Authorisation	Enable execution by approved signatories
9	Corporate Resolution	Optional alternative to Authorised Signatory list
10	Proxy Voting form (SRD2)	Required if settling European Securities

Collateral Administrator

Clients also need to advise BNY at the outset of any Collateral Administrator that is acting on behalf of a client. If a Collateral Administrator is acting for the client then a number of considerations need to be made during the onboarding process, such as but not limited to;

• Access for users

• Reporting requirements

• Legal documentation

• Data protection

Tax Service Questionnaire

In addition to the Ops pack BNY require clients to complete a 'Tax questionnaire' as part of the onboarding process - providing BNY with a high level overview of relevant tax details.

To the right in blue, you will see the list of the different BNY entities, prior to onboarding clients should liaise with their BNY point of contact to identify which jurisdiction they will engage through and assist in identifying the correct tax forms BNY require.

✓ KEY POINT – BNY will not advise or assist with the completion of Tax forms, this is the responsibility of the client to complete in accordance with their internal tax affairs. If clients are unsure then they should contact a tax consultant.

Bank of New York Mellon Entities;

The Bank of New York Mellon

The Bank of New York Mellon, London Branch

The Bank of New York Mellon SA/NV

(Note: - A Belgium attestation form is required for Brussels SANV Branch, to declare that the client is not a resident in Belgium to confirm they are not subject to Belgian tax).

The Bank of New York Mellon SA/NV, Luxembourg Branch

The Bank of New York Mellon SA/NV,

Dublin Branch

(Note: - BNY Dublin – a form i.e.1 -

non-resident declaration is required as well as a TSQ with additional tax docs).

The Bank of New York Mellon (International) Limited

6.2

INSTRUCTING BNY

Clients have two methods of communication with BNY,

- The Margin DIRECT portal
- Via standard SWIFT messaging

✓ KEY POINT –Clients can have asymmetric methods of instructing. For example a Collateral Provider can instruct via SWIFT and a Collateral Receiver via the Margin DIRECT portal or vice versa.

6.3

MARGIN DIRECT PORTAL

The Margin DIRECT portal allows clients to enter instructions, monitor settlement statuses and consume holding statements.

Margin DIRECT is a global platform accessed through NEXEN at the below url,

www.nexen.bny.com.

Margin DIRECT access via the NEXEN portal requires a valid Margin DIRECT user ID and account with the correct privileges.

- Existing users should consult their BNY point of contact to confirm they have the correct set-up in place to access the system for the new Segregated Initial Margin Accounts.
- New users will need an access request to be actioned, this should be completed as part of the onboarding process.

Note – Users will only see services granted within their privileges

After successful login, users should navigate to*

| Accounts | Liquidity and Collateral Accounts |

Users arrive at a dashboard overview of their collateral as per below screen shot;
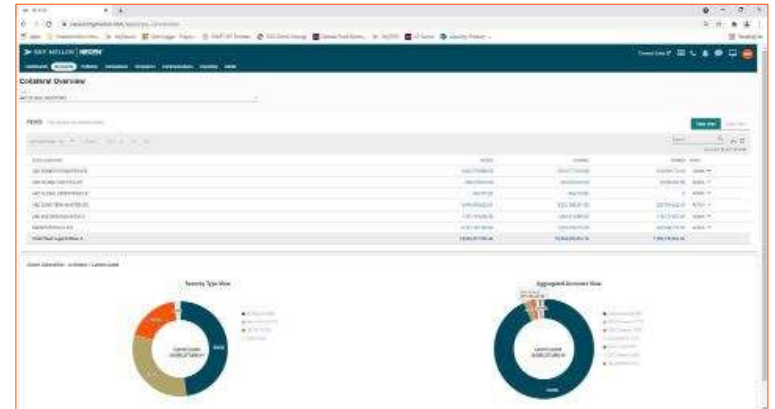
Instructing Collateral Moves

Within the Margin DIRECT portal users have the ability to:

- Input instructions, and

- Authorise instructions (when applicable)

✓ KEY POINT –Instructions will either be auto released, require single authorisation or dual authorisation to be released. The release configuration preference must be specified in the onboarding documents completed during onboarding.

Settlement Statuses

Statuses of movements are reflected on the Margin DIRECT portal to provide users an up to date status of where their instruction(s) have progressed. This is via the 'Activity' UI and will show the current status. Clients should monitor the statuses throughout the day to verify all instructions are correctly matched allowing for timely allocation of IM collateral.

FOR GUIDANCE ON HOW TO INSTRUCT COLLATERAL MOVEMENTS AND MONITOR STATUSES IN THE MARGIN DIRECT PORTAL, PLEASE REFER TO THE LIQUIDITY COLLATERAL ACCOUNTS QUICK REFERENCE GUIDE (QRG) THAT SHOULD HAVE BEEN PROVIDED BY YOUR BNY POINT OF CONTACT ALONG WITH THIS GUIDE

Reporting

BNY offers Margin DIRECT clients reporting through the BNY NEXEN portal.

Key features of the platform include:

- Search and filter report listings with tags, recently viewed and favorites

- Quick multi-tab/tiled access to view and run reports

- Wizard for easy report scheduling, distribution and saving of report output

- Interactive reporting

- Daily, monthly & ad-hoc scheduling

- Automatic distribution via Email and FTP

- Editable or read-only shared reports

For detailed instructions on how to navigate NEXEN Reporting and how to search, build, generate and manage reports please refer to the NEXEN Reporting Quick Reference Guide (QRG).

Margin DIRECT Reports

NEXEN Reporting provides users access to reports from multiple business lines. The below reports are those recommended for Margin DIRECT participants.

Samples of the 4 reports, including a more detailed explanation of the content, frequency and output formats available are included within the related documentation that accompanies this guide. If you haven't received, please refer to your BNY point of contact.

Why is Reporting key to Margin DIRECT and Third Party Custody?

Reporting is a key indicator and resolution tool within Margin DIRECT. If clients see any discrepancies across IM collateral balances, extracting reports via Enterprise Reporting provides transaction level data as well as balance holdings to clearly identify any changes in holdings.

Example - cash coupons and cash interest can be paid directly into the pledge account on coupon date or month end. This will cause a balance discrepancy, users will be able to identify such a discrepancy by reviewing the correct report.

REPORT NAME	SUMMARY
Custody Holdings	Provides holdings of various securities and cash investment vehicles. It shows traded and settled shares.
Unsettled Trades	Shows the real-time pending, failing, unverified trades, cancelled, executed orders and open orders. The report includes a description of the security, as well as shares and local settlement amount.
Projected Cash Statement	A high-level view of trade and settlement date holdings by location for a selected date range (today and up to five future business days).
Cash and Security Transactions	A high-level view that shows all of the cash and custody activity together. Related cash and custody transactions are grouped together. This report's design allows you to search for information based on cash or custody specific activities.

SWIFT

In addition to the portal, BNY offers its clients the opportunity to communicate via standard SWIFT messages.

Instructing Collateral into Margin DIRECT

Collateral movements are instructed using the MT540 and MT542 'Free of Payment' messages for securities and MT202 and MT103 for 'Cash' movements, (the same message types that are commonly used bilaterally for Variation Margin).

When pledging securities, clients will utilise MT54x free of payment series, the Collateral Provider will instruct both sides;

- Instruct the delivery of assets from the unencumbered account, (this may or may not be at BNY and should follow the BAU procedures in place with the unencumbered account provider).

- MT540 – Instruct BNY the receipt of assets into the segregated account.

✓ KEY POINT –The Collateral Provider will instruct the MT540 receipt which is different from bilateral VM collateral management today where the Collateral Provider would instruct to deliver from the unencumbered account and the Collateral Receiver instruct the MT540 to receive the assets, because under this arrangement there is no transfer of title in IM.

Instructing Collateral Out of Margin DIRECT

BNY operates two different models for instructing the movement of collateral out of Margin DIRECT back to the Collateral Provider in the event that the IM exposure has decreased.

- Return – The Collateral Receiver will initiate the collateral movement
- Release – The Provider will initiate the collateral movement and the Collateral Receiver approves the release of collateral

Collateral Return

The Collateral Receiver initiates the return from the segregated account;

- MT542 – The Collateral Receiver must instruct BNY the return of assets from the segregated account.
- The Collateral Provider will Instruct the receipt of the assets back into the unencumbered account, (this may or may not be via SWIFT).

✓ KEY POINT – The Return model is similar to the bilateral collateral management workflow for returning securities.

Collateral Return – High Level Flow

DELIVERY COLLATERAL
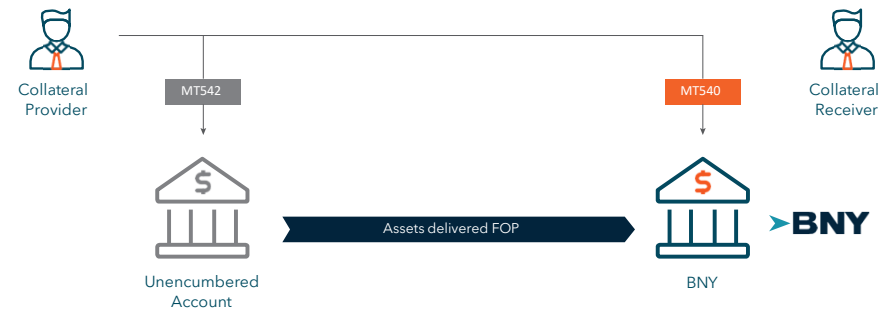
RETURN COLLATERAL

These flows assume that the Collateral Provider will be instructing their unencumbered account via SWIFT also, but this may be any format acceptable to the unencumbered custodian under their BAU arrangements.

6.4

Instructing Collateral Out of Margin DIRECT (cont)

Collateral Release

The Collateral Provider will still instruct both sides of the instruction:

- MT542 – Instruct BNY the return of assets from the segregated account, and

- Instruct the receipt of the assets back into the unencumbered account (this may or may not be via SWIFT).

However to authorise the return of assets from the secured segregated account, the secured party will need to instruct:

- MT527 – Instruct BNY to authorize the release of the assets.

✓ KEY POINT – The secured party will only instruct an MT527 when the IM exposure has reduced causing a collateral return. The MT527 is a Third Party Collateral Security Release Authorization message which provides BNY the authorisation to release securities back to the Collateral Provider and will match with the Collateral Provider's MT542.

✓ KEY POINT – MT527 is a one-to-one matching, BNY expects a single MT527 per collateral asset. If a Collateral Provider and Collateral Receiver are releasing multiple assets a separate MT527 is required to effect the release of each collateral position.

✓ KEY POINT – If parties agree to employ this model, both parties can instruct via SWIFT, the MarginDirect portal, or a mix of the two methods.

FOR FURTHER DETAILS ON HOW TO CONSTRUCT THE SWIFT MESSAGES, PLEASE REFER TO THE APPENDIX

Collateral Release – High Level Flow

DELIVERY COLLATERAL

RELEASE COLLATERAL
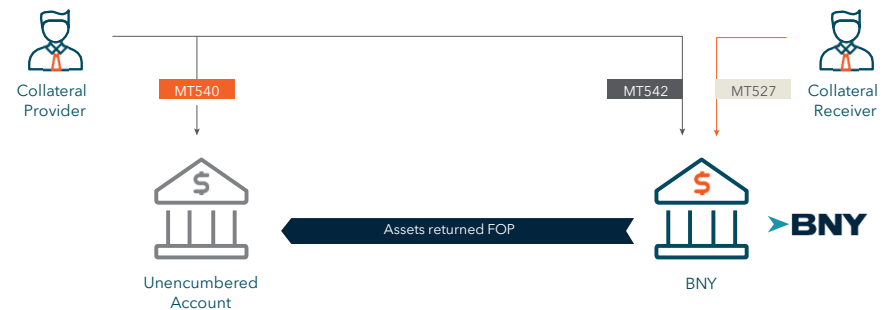
These flows assume that the Collateral Provider will be instructing their unencumbered account via SWIFT also, but this may be any format acceptable to the unencumbered custodian under their BAU arrangements.

Cash Collateral

In the event that cash is utilised as Initial Margin the instructions will follow the same structure as the security movements described above.in the event of a decrease in exposure and a reduced collateral requirement.

- Return – The Collateral Receiver will instruct the SWIFT MT202 / 103 (as applicable)

- Release – The Collateral Provider will instruct the SWIFT MT202 / 103 (as applicable) and the Collateral Receiver must authorise the release through a SWIFT MT527 message

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✔ KEY POINT – MT103 is a payment message used specifically for cross-border or international wire transfers and a MT202 is a SWIFT message format for financial institution (FI) funds transfer between financial institutions. Failure to use the correct message type will result in a failure to transfer funds.

SWIFT Model Configuration

You will need to agree up-front with your counterpart which model (Return or Release) the relationship will employ for collateral reduction. This must be configured in the account opening process with your BNY point of contact.

Instruction Statuses

BNY will report the status of collateral instructions back to the party that sent the message using standard the SWIFT status message format applicable to the instruction type. See the table below for details on which response type will be sent to the different instructions

✔ KEY POINT – Multiple parties can subscribe to the same status messages, including the party who was not responsible for sending the instruction.

What frequency are SWIFT status updates sent?

The frequency that status messages will be sent is configured during the onboarding stage. Clients have the option to specify:

- Intraday

- Bespoke schedule via batch

INSTRUCTION TYPE	STATUS RESPONSE
MT540 – Free of Payment Receive Securities	MT544 – Receive Free Confirmation
MT542 – Free of Payment Deliver Securities	MT546 – Deliver Free Confirmation
MT103 – Cross border / International Wire Transfer	MT900/910 – Confirmation of Debit / Credit
MT202 – Interbank Fund Transfer	MT900/910 – Confirmation of Debit / Credit
MT527 – Authorization of Collateral Return	MT548 – Settlement Status and Processing Advice

Reporting

Standard SWIFT messaging can be used to report balances and transactions for security holdings and movements through MT535 and MT536 messages. As described below:

- **MT535 Segregated Collateral Position Reporting**

  Reports the quantity and type of securities and other holdings which are posted to the MarginDirect account(s) at a specified point in time.

- **MT536 Segregated Collateral Transaction Reporting**

  Reports the movements of holdings in and out of the MarginDirect account(s) during a specified period.

These are sent STP to BIC specified during the onboarding process.

BNY also offers cash MT940 and MT950 messages to report account balance(s) for Cash in the instances where Cash IM collateral is exchanged. These will be configured during the onboarding process and as part of the Margin DIRECT onboarding docs.

✓ KEY POINT – Cash & Securities cannot be combined in a single SWIFT message, these will need to be sent on separate messages. Reporting from the NEXEN portal described earlier has the ability to combine assets types in a single report if required.

6.5

TIMINGS / CUT-OFFS

When issuing settlement instructions – either through the Portal or via SWIFT – the standard market cut offs for the asset type being delivered or returned will prevail.

Users must therefore ensure instructions are released with good time to settle. If users are unaware of an assets cut off time then they should reach out to their BNY point of contact for confirmation.

MARGINCONNECT

In addition to SWIFT messages and the Margin DIRECT portal, BNY has developed direct connectivity in partnership with Acadiasoft for agreements processed through Acadiasoft's Margin Manager platform.

The BNY MarginConnect service interfaces with AcadiaSoft Margin Manager platform by pulling in the margin call details once the margin call becomes a pledge accept. MarginConnect builds SWIFT messages on the client's behalf, instructs the MarginDIRECT platform accordingly and return status messages back to AcadiaSoft Margin Manager. The client can further consume these response messages from AcadiaSoft Margin Manager into their collateral platforms.

At its essence, this offering allows clients who use AcadiaSoft for margin call communications to send BNY movement messages (derived from Pledge Accepts), directly from the AcadiaSoft Margin Manager platform, creating a true "straight-thru-processing" (STP) environment for collateral segregation. MarginConnect supports all Swift message types discussed in this handbook. For further details please speak to your BNY point of contact or via email at MarginConnect@BNY.com.

DEFAULT MANAGEMENT PROCEDURE

Upon identification a client has defaulted or a termination notice has been exercised, the non-defaulting party will upload either an 'Notice of Exclusive Control' or a 'Pledgor Termination Notice', along with any supporting documentation, to BNY via ENP. This will then trigger the default process and auto distribution of notices to specified 'Notice Recipients'.

WHAT IS ELECTRONIC NOTICE PLATFORM (ENP)?

ENP is an on-line electronic notification service that will immediately notify all specified 'Notice Recipients', defined in the ENP authorisation form of any default or bankruptcy notices. The service provides an automated process with an audit trail of all documentation sent and is designed to protect clients during times of market stress.

ENP is a module within NEXEN, accessible via the Default Notices option, that allows clients to view and identify accounts that have been set-up for ENP. Selecting an eligible account identifies that the account has a termination notice to be served and progressing through the workflow users are able to issue the termination/ default notice along with any supporting documentation.

Once notice has been authorised, BNY will distribute all documentation and notices to the specified 'Notice Recipients'.

✔ KEY POINT – Firms must specify two categories of users / Recipients

'Specified Users' are staff members who have access to ENP and can issue notices of default

'Notice Recipients' is the list of recipients that will receive notifications upon upload of a termination notice, this can be different to the specified user list.

It is your firm's responsibility to ensure that both lists are maintained in line with any personnel changes and remain accurate in the event of a default.

Upon identification of a termination event the uploading user(s) should include a current signatory list as part of the upload process. This is so that the most up to date signatories are identified and recipients have the most recent list, since this data can become out of date if not updated/ reviewed regularly.

Detailed procedures are contained within the ENP Quick Reference Guide, which clients will receive as part of Margin DIRECT onboarding.

7.2

ELECTRONIC NOTICE PLATFORM ACCESS - AUTHORIZATION FORM

ENP is a mandatory set-up for Segregated Initial Margin and requires configuration as part of the onboarding process. Access is granted for ENP upon completion of the relevant region and role specific authorisation form;

- Secured Party ENP Authorisation Form

- Chargor ENP Authorization Form

- Pledgor ENP Authorization Form

✔ KEY POINT – 'User Access' is the list of users that have access to ENP and have the ability to upload default/ termination notices. 'Notice Recipients' is the list of recipients that will receive notifications upon receipt of a termination notice.

✔ KEY POINT – Upon completion, BNY recommend that regular reviews of 'User Access' vs 'Notice Recipients' is conducted at regular intervals to confirm that data remains up to date.

FOR FURTHER DETAILS ON HOW TO NAVIGATE AND USE THE ENP, PLEASE REFER TO THE ENP QUICK REFERENCE GUIDE INCLUDED WITHIN THE RELATED DOCUMENTATION

8.0

TESTING

What kind of testing should be performed?

SWIFT

Firms who intend to interact with BNY over the SWIFT network must ensure a SWIFT RMA key exchange has been performed in advance of any SWIFT communications. If you are unsure whether your firm has already exchanged keys with BNY in the course of other business or you need to arrange for the first time, please liaise with your BNY point of contact.

Portal

Instructions created directly via the Margin DIRECT portal do not need testing, however users may wish to review the Margin DIRECT Quick Reference Guide to familiarise themselves with the instruction process.

Liquidity Services Agreement

KYC

Legal Documentation

Operational Set-Up

Testing

Collateral Exchange

✔ KEY POINT – With the exception of MT527 messages, if clients are due to use SWIFT messaging for third party segregation, a specific BIC - IRVTBEBBMFD or IRVTUS3NMFD is used across EU and US respectively, the BIC identifies to BNY that the instruction(s) in question are in reference to a third party custody relationship. If not specified in the SWIFT message then the message(s) will fail.

Secured Parties must send Collateral Release MT527 messages to BIC IRVTBEBBCOT.

9.0

READY FOR COLLATERAL EXCHANGE

Once all of the documentation has been completed and operational preferences configured you will be ready to exchange collateral through BNY's Margin DIRECT platform.

Liquidity Services Agreement

KYC

Legal Documentation

Operational Set-Up

Testing

Collateral Exchange

POST SET-UP OPERATIONAL PROCESS

Once clients are live on Margin DIRECT,
any issues should be directed to the relevant
region and point of contact.

REGION	HOURS OF OPERATION	GROUP EMAIL
APAC	9:00am-5:00pm SGT	Liquidity.Services.HongKong@BNY.com
EMEA	9:00am-5:00pm CET	MarketsGLS@BNY.com
Americas	10:00am-6:00pm EST	LSSettlements@BNY.com

9.2

CHECKLIST

Have I completed all the steps in the high level checklist to the right?

By now you should understand the steps that need to be completed to utilise Margin DIRECT for third party custody segregation.

☑ Liquidity Service Agreement

☑ Complete KYC (if applicable) Execute

☑ Bilateral Contracts (CSD)

☑ Execute Account Control Agreement (ACA/ CACA)

☑ MIFID Classification

☑ Submit Electronic Notification Platform Access form (if required)

☑ Submit Electronic Access Agreement Form

☑ Configure Operational preferences

☑ Confirm Tax Questionnaire and complete relevant Tax forms

☑ Establish user login details for Margin DIRECT

☑ Testing to SWIFT RMA key/ BIC codes (if required)

SUMMARY OF DOCUMENTARY REQUIREMENTS

The table to the right provides a summary overview of the documents required to onboard at Margin DIRECT including purpose, frequencies and parties to the document.

STAGE	REQUIREMENT	DEPENDENCY	DESCRIPTION	FREQUENCY	BNY	PROVIDER	RECEIVER
KYC	KYC		Know Your Customer – regulatory due diligence	Once per entity prior to onboarding	✔	✔	✔
Mandate	Custody Agreement	KYC	Agreement that specifies terms of BNY custodial appointment	Once per entity prior to onboarding	✔	✔	
Legal Execution	Electronic Notice Platform Access		Specifies authorised users and configures preferences within online electronic notification system	Once during onboarding	✔	✔	
	MiFID Classification		Client's MiFID Classification (Required when contracting to UK / EU BNY entity)		✔	✔	
	Electronic Access Agreement		Authorisation for clients to access BNY electronic data	Once during onboarding	✔	✔	
	Executed Account Control Agreement	KYC	Three way document between BNY, Collateral Provider and Collateral Receiver to define the terms and conditions under which BNY will operate the segregated account.	Once per relationship	✔	✔	✔
	Bilateral Contracts		Legal documents executed between trading parties that define the terms collateral will be calculated / exchanged	Once per relationship		✔	✔
Operational Readiness	Tax Service Questionnaire	All of the above	High level questionnaire BNY require to identify tax jurisdiction	Once during onboarding process	✔	✔	✔
	Ops Pack		Providers / Receivers specify operational configuration preferences	Once during onboarding process	✔	✔	✔

SWIFT CONSTRUCTION

BNY enable firms to instruct collateral movements in and out of the segregated account via SWIFT messaging.

This section is designed to provide guidance on how to construct these standard SWIFT messages.

When constructing SWIFT messages the population of each field will fall into three categories

1.

Hard-coded fields

These fields contain values that will remain the same for all SWIFT MT540 instructions, regardless of the facing counter-party or scenario. Please refer to the 'Example' column of the table for the exact values to be used for any hard-coded fields.

2.

Client static fields

These fields are specific to the bilateral parties to the instruction and contain values that will be the same for all instructions sent for a particular relationship (i.e. for each IM CSA counterparty), regardless of the scenario.

3.

Transaction fields

These fields have values that will change for each individual MT540 instruction,

APPENDIX 2.1

DELIVERING COLLATERAL INTO SEGREGATED ACCOUNT

When parties agree to a new or increased exposure, the Collateral Provider must instruct BNY of the asset(s) they will deliver to the segregated account using an MT540 message. There is no requirement for the Collateral Receiver to submit any instruction.

MT540 – Free of Payment Receive Securities instruction

	Hard Coded
	Client Static Fields
	Transaction Fields

**For an explanation on the SWIFT format convention please refer directly to the SWIFT website*

https://www.swift.com/how-define-mt-format

ROW	SWIFT TAG	FIELD DESCRIPTION	EXAMPLE
1	:16R:GENL	Start of block – general information	:16R:GENL
2	:20C::SEME//	Sender's message reference	:20C::SEME//ITE-T540-2
3	:23G:NEWM	Function of the message	:23G:NEWM
4	:16S:GENL	End of Block - general information	:16S:GENL
5	:16R:TRADDET	Start of block – trade details	
6	:98A::SETT//	Settlement Date	:98A::SETT//20200402
7	:98A::TRAD//	Trade Date	:98A::TRAD//20200402
8	:35B:ISIN	Identification of the financial instrument	:35B:ISIN US30231G1022
9	:16S:TRADDET	End of block - trade details	:16S:TRADDET
10	:16R:FIAC	Start of block – financial instrument	:16R:FIAC
11	:36B::SETT	Quantity of financial instrument to be settled	:36B::SETT//UNIT/7
12	:97A::SAFE	Unencumbered account that assets are to be returned to	:97A::SAFE//123456
13	:16S:FIAC	End of block - financial instrument	:16S:FIAC
14	:16R:SETDET	Start of block - settlement details	:16R:SETDET
15	:22F::SETR	Type of settlement transaction identifier	::22F::SETR//TRAD
16	:16R:SETPRTY	Start of block - settlement parties	:16R:SETPRTY
17	:95P::REAG	Clearing Agent BIC	:95P::DEAG//USFW/021000018
18	:97A::SAFE	Clearing Agent Account	:97A::SAFE//CUST
19	:16S:SETPRTY	End of block - settlement parties	:16S:SETPRTY
20	:16R:SETPRTY	Start of block - settlement parties	:16R:SETPRTY
21	:95P:PSET	Market Place	:95P::PSET//FRNYUS33
22	:16S:SETPRTY	End of block - settlement parties	:16S:SETPRTY
23	:16R:SETPRTY	Start of block - settlement parties	:16R:SETPRTY
24	:95R: BUY	Broker Participant Code	:95R:BUY/CRST/00000901
25	:97A::SAFE	MD Collateral Account	:97A::SAFE//456789
26	:16S:SETPRTY	End of block - settlement parties	:16S:SETPRTY
27	:16S:SETDET	End of block - settlement details	:16S:SETDET

Client static fields

Upon the successful opening of segregated accounts, BNY will notify your firm of the segregated account numbers within Margin DIRECT.

CLIENT STATIC - MT540

Row	TAG	Value	Description
12	:97A::SAFE	Safekeeping Account	Client account with MarginDirect specific to the relationship

Transaction fields

There are mandatory transaction fields which must be present in all instructions. Additionally there are conditional transaction fields which are populated when relevant to the settlement terms of the transaction / asset type.

The table to the right describes how to populate the mandatory fields specific to the collateral instruction.

MANDATORY TRANSACTION FIELDS - MT540

Row	TAG	Value	Description
2	:20C::SEME	Sender's Message Reference	A message-level reference. This reference must be unique for every message sent.
6	:98A::SETT	Settlement Date	Settlement date of collateral movement
7	:98A::TRAD	Trade Date	Trade date of collateral movement
8	:35B:ISIN	Identification of the financial instrument	Security type followed by the identifier that is being delivered
11	:36B::SETT	Quantity of financial instrument	Quantity type and quantity of security that is being delivered

The table to the right describes how to populate the conditional transaction fields when applicable to the transaction. When including / excluding these fields the relevant start/end block qualifiers must also be included / excluded as required.

OPTIONAL TRANSACTION FIELDS - MT540

Row	TAG	Value	Description
17	:95P::DEAG	Delivering Agent	Clearing Agent BIC
18	:97A::SAFE	Safekeeping Account	Clearing Agent Account
21	:95P::PSET	Place of Settlement	The BIC for where the transaction will settle
24	:95R::SELL	Deliverer	Broker Participant Code
25	:97A::SAFE	Safekeeping Account	Broker Account

RETURNING COLLATERAL FROM THE SEGREGATED ACCOUNT

When parties agree to a reduction in exposure, the SWIFT messages that must be submitted will depend on the model that parties have agreed to operate the account under – Return or Release.

Securities

MT542 – Free of Payment Deliver Securities

The table on the right is the template for how to construct an acceptable MT542 message to BNY, to be sent by the Collateral Receiver under the Return model or the Collateral Provider in the Release model.

[orange]	Hard Coded
[light blue]	Client Static Fields
[black]	Transaction Fields

**For an explanation on the SWIFT format convention please refer directly to the SWIFT website

https://www.swift.com/how-define-mt-format

ROW	SWIFT TAG	FIELD DESCRIPTION	EXAMPLE
1	:16R:GENL	Start of block – general information	:16R:GENL
2	:20C::SEME//	Sender's message reference	:20C::SEME//ITE-T540-2
3	:23G:NEWM	Function of the message	:23G:NEWM
4	:16S:GENL	End of Block – general information	:16S:GENL
5	:16R:TRADDET	Start of block – trade details	
6	:98A::SETT//	Settlement Date	:98A::SETT//20200402
7	:98A::TRAD//	Trade Date	:98A::TRAD//20200402
8	:35B:ISIN	Identification of the financial instrument	:35B:ISIN US30231G1022
9	:16S:TRADDET	End of block – trade details	:16S:TRADDET
10	:16R:FIAC	Start of block – financial instrument	:16R:FIAC
11	:36B::SETT	Quantity of financial instrument to be settled	:36B::SETT//UNIT/7
12	:97A::SAFE	Unencumbered account that assets are to be returned to	:97A::SAFE//123456
13	:16S:FIAC	End of block – financial instrument	:16S:FIAC
14	:16R:SETDET	Start of block – settlement details	:16R:SETDET
15	:22F::SETR	Type of settlement transaction identifier	:22F::SETR//TRAD
16	:16R:SETPRTY	Start of block – settlement parties	:16R:SETPRTY
17	:95P::REAG	Clearing Agent BIC	:95P::DEAG/USFW/021000018
18	:97A::SAFE	Clearing Agent Account	:97A::SAFE//CUST
19	:16S:SETPRTY	End of block – settlement parties	:16S:SETPRTY
20	:16R:SETPRTY	Start of block – settlement parties	:16R:SETPRTY
21	:95P:PSET	Market Place	:95P::PSET//FRNYUS33
22	:16S:SETPRTY	End of block – settlement parties	:16S:SETPRTY
23	:16R:SETPRTY	Start of block – settlement parties	:16R:SETPRTY
24	:95R: BUY	Broker Participant Code	:95R:BUY/CRST/00000901
25	:97A::SAFE	MD Collateral Account	:97A::SAFE//456789
26	:16S:SETPRTY	End of block – settlement parties	:16S:SETPRTY
27	:16S:SETDET	End of block – settlement details	:16S:SETDET

Client static fields

When instructing a return of collateral the MarginDirect account number is reported later in the MT542 under the Safekeeping Account field used to specify where assets are being delivered from.

CLIENT STATIC - MT542

Row	TAG	Value	Description
25	:97A::SAFE	Safekeeping Account	Client account with MarginDirect specific to the relationship

Transaction fields

There are mandatory transaction fields which must be present in all instructions. Additionally there are conditional transaction fields which are populated when relevant to the settlement terms of the transaction / asset type.

The table to the right describes how to populate the mandatory fields specific to the collateral instruction.

MANDATORY TRANSACTION FIELDS - MT540

Row	TAG	Value	Description
2	:20C::SEME	Sender's Message Reference	A message-level reference. This reference must be unique for every message sent.
6	:98A::SETT	Settlement Date	Settlement date of collateral movement
7	:98A::TRAD	Trade Date	Trade date of collateral movement
8	:35B:ISIN	Identification of the financial instrument	Security type followed by the identifier that is being delivered
11	:36B::SETT	Quantity of financial instrument	Quantity type and quantity of security that is being delivered
12	:97A::SAFE	Safekeeping Account	Clients unencumbered account, ie destination account for the assets to be returned to

The table to the right describes how to populate the conditional transaction fields when applicable to the transaction. When including / excluding these fields the relevant start/end block qualifiers must also be included / excluded as required.

✔ KEY POINT – The destination details for collateral returns must match the details provided to BNY in the Ops pack as part of the onboarding process.

OPTION **AL TRANSACTION** **FIELDS - MT540**

Row	TAG	Value	Description
17	:95P::REAG	Receiving Agent	Clearing Agent BIC
18	:97A::SAFE	Safekeeping Account	Clearing Agent Account
21	:95P::PSET	Place of Settlement	The BIC for where the transaction will settle
24	:95R::BUY	Buyer	Broker Participant Code

Cash Collateral

In the event that cash has been received into the segregated account as income on the securities, and needs to be returned, the instruction should be managed through SWIFT MT103/202 message types constructed as follows.

MT103 – Cross border / international wire transfer

[orange box]	Hard Coded
[grey box]	Client Static Fields
[black box]	Transaction Fields

ROW	SWIFT TAG	FIELD DESCRIPTION	EXAMPLE
1	:20:	Sender's Reference	:20:ITE-103-T07
2	:23B:CRED	Bank Operation Code	:23B:CRED
3	:32A:	Value Date/Currency/Interbank Settled Amount	:32a:150331GBP33,00
4	:33B:	Currency/Instructed Amount	:33B:GBP
5	:50K:	Ordering Customer	:50K:Client Ltd
6	:53B:	MD Account Number	:53B:/1234568260
7	57A:	Account with Institution	:57A:BANKGB2L
8	:59:	Beneficiary Customer	:59:/112233445 CLIENT ACCT NAME
9	:71A:	Details of Charges	:71A:OUR

Client Static Fields

CLIENT STATIC - MT103			
Row	TAG	Value	Description
5	:50K:	Ordering Customer	Message sender
6	:53B:	MD Account number	Client's account with MarginDirect specific to the relationship
7	:57A:	Account with Institution	The BIC code for the institution where the funds are to be sent
8	:59:	Beneficiary Customer	Enter the account number and account name where the funds are to be sent

Transaction Fields

TRANSACTION FIELDS – MT103			
Row	TAG	Value	Description
1	:20:	Sender's Message Reference	A message-level reference. This reference must be unique for every message sent.
3	:32A:	Value Date/Currency/	Three pieces of data are reported in this field, by concatenating the following, • The date that the funds are to be transferred using the 6-digit YYMMDD format • The 3-digit ISO currency code • The total to be transferred
4	:33B:	Currency / Instructed Amount	Two pieces of data are reported in this field, by concatenating the following, • The 3-digit ISO currency code • The total to be transferred

MT202 – Interbank fund transfer

   	Hard Coded
   	Client Static Fields
   	Transaction Fields

ROW TAG	SWIFT	FIELD DESCRIPTION	EXAMPLE
1	:20:	Transaction Reference	:20:ITE-103-T07
2	:21:	Related reference	:21:NONREF
3	:32A:	Value Date/Currency/Interbank Settled Amount	:32a:150331GBP33,00
4	:53B:	MD Account Number	:53B:/1234568260
5	57A:	Account with Institution	:57A:BANKGB2L
6	:58A:	Beneficiary Customer	:59:/112233445 CLIENT ACCT NAME

✔ KEY POINT – MT103 is a payment message used specifically for cross-border or international wire transfers and a MT202 is a SWIFT message format for financial institution (FI) funds transfer between financial institutions.

Failure to use the correct message type will result in a failure to transfer funds.

Client Static Fields

CLIENT STATIC - MT202			
Row	TAG	Value	Description
4	:53B:	MD Account number	Client's account with MarginDirect specific to the relationship
5	:57A:	Account with Institution	The BIC code for the institution where the funds are to be sent
6	:58A:	Beneficiary Customer	Enter the account number and account name where the funds are to be sent

Transaction Fields

CLIENT STATIC - MT202			
Row	TAG	Value	Description
1	:20:	Sender's Message Reference	A message-level reference, and must be unique for every message sent
2	:21:	Related reference	If no reference to MT103 use value "NONREF", else report the tag 20 of the related MT103 message
3	:32A:	Value Date/Currency/ Interbank Settled Amt	Three pieces of data are reported in this field, by concatenating the following, • The date that the funds are to be transferred using the 6 digit YYMMDD format • The 3 digit ISO currency code • The total to be transferred

Release of Collateral

MT527 – Authorisation of Collateral Return

If the relationship is managed under the Release model, the Collateral Receiver will need to instruct BNY to authorise any return agreed with the Collateral Provider (Securities or Cash).

BNY expects an MT527 message per collateral to be released, ie. If multiple collateral assets are being released a separate MT527 message is required to effect the release of each collateral position.

The table to the right is the template for how to construct an acceptable MT527 message to BNY, to be sent by the Collateral Receiver under the Release model:

	Hard Coded
	Client Static Fields
	Transaction Fields

ROW	SWIFT TAG	FIELD DESCRIPTION	EXAMPLE
1	:16R:GENL	Start of block – General information	:16R:GENL
2	:28E::1/ONLY	Page Number/Continuation Indicator	:28E::1/ONLY
3	:20C::SEME//	Sender's message reference	:20C::SEME//ITE-T540-2
4	:23G:NEWM	Function of the message	:23G:NEWM
5	:98A::TRAD//	Trade Date	:98A::TRAD//20110214
6	:98A::SETT//	Settlement Date	:98A::SETT//20110214
7	:98A::EXRQ//	Execution Date	:98A::TRAD//20110214
8	:22H::CINT//TERM	Collateral Instruction Type Indicator	:22H::CINT//TERM
9	:22H::COLA//	Exposure Type Indicator	:22H::COLA//SLEB
10	:22H::REPR//RECE	Collateral Receiver / Provider Indicator	:22H::REPR//RECE
11	:25D::REST//CONF	Collateral Receiver response to Collateral Provider instructions	:25D::REST//CONF
12	:16R:COLLPRTY	Start of block – Collateral parties	:16R:COLLPRTY
13	:95P::PTYA//	The party sending the collateral instruction	:95P::PTYA//TESTGB2L
14	:97A::SAFE//	Safekeeping account	:97A::SAFE//123456
15	:16S:COLLPRTY	End of block – Collateral parties	:16S:COLLPRTY
16	:16S:GENL	End of block – General Information	16S:GENL
17	:16R:DEALTRAN	Start of block – Transaction details	:16R:DEALTRAN
18	:98A::TERM//	Termination date	:98A::TERM//20110214
19	:19A::TRAA//	Transaction Amount	:19A::TRAA//USD80000,00
20	:16S:DEALTRAN	End of block – Transaction details	:16S:DEALTRAN

Releasing Securities or Cash?

The final block of the MT527 will depend
on the asset that is being released.

- Securities – use the SECMOVE block

- Cash – use the CASHMOVE block

ROW	SWIFT TAG	FIELD DESCRIPTION	EXAMPLE
21	:16R:SECMOVE	Start of block – Security Movement	:16R:SECMOVE
22	:22H::INOU//COLI	In/Out indicator	:22H::INOU//COLI
23	:35B:	Identification of the Financial Instrument	:35B:ISIN US09248U7000
24	:36B::QSEC//	Quantity of Financial Instrument	:36B::QSEC//FAMT/80000,00
25	:17B::COLL//Y	Collateral Flag	:17B::COLL//Y
26	:16S:SECMOVE	End of block – Security Movement	:16S:SECMOVE

OR			
21	:16R:CASHMOVE	Start of block - Cash Movement	:16R:CASHMOVE
22	:22H::INOU//COLI	In/Out indicator	:22H::INOU//COLI
23	:19A::CASH//	Cash Amount	:19A::CASH//USD80000,00
24	:16S:CASHMOVE	End of block - Cash Movement	:16S:CASHMOVE

✔ KEY POINT – In the event that parties
have agreed to a return of multiple assets,
the Collateral Receiver must send an MT527
for each asset that will match against
the MT542 messages instructed by the
Collateral Provider.

Client Static Fields

Upon the successful opening of segregated accounts, BNY
will notify your firm of the segregated account numbers
within MarginDirect

CLIENT STATIC - MT527			
Row	TAG	Value	Description
	:95P::PTYA//	Instructing Party	The Collateral Provider should use the BIC they instruct the SWIFT message under
	:97A::SAFE	Safekeeping Account	Client account with MarginDirect specific to the relationship

Transaction Fields

The table to the right describes how to populate the fields specific to the collateral instruction.

✔ KEY POINT – BNY will not parse or manipulate or translate the Security Identifier (tag 35B) to match a market identifier or the Collateral Provider's identifier. For example if Collateral Provider sends ISIN and the Receiver send CUSIP, release will not occur.

TRANSACTION FIELDS - MT527			
Row	TAG	Value	Description
	:20C::SEME	Sender's Message Reference	A message-level reference. This reference must be unique for every message sent.
	:98A::TRAD	Trade Date	The date of collateral movement in YYYYMMDD format
	:98A::SETT	Settlement Date	The date of collateral movement in YYYYMMDD format
	:98A::EXRQ	Execution Date	The date of collateral movement in YYYYMMDD format
	:22H::COLA	Exposure Type	Depending on the collateral asset type, report the following values • Securities – enter value SLEB • Cash – enter value PAYM
	:98A::TERM//	Termination date	The date of collateral movement in YYYYMMDD format
	:19A::TRAA//	Transaction Amount	Users should report the market value of the collateral asset, although BNY will not use this field in the matching process
	:35B:	Identification of the financial instrument	Security type followed by the identifier that is being delivered • ISINs should be instructed with the tag ISIN • CUSIPs and SEDOLs are instructed with ISO two-digit currency codes start and ending with a slash '/'
	:36B::QSEC	Quantity of financial instrument	BNY treats all quantity types as …. And so the user should report the default value of ….
23	:19A::CASH//	Cash Amount	

✓ KEY POINT – Firms should be aware of the following when instructing under the Release model

- BNY will not accept a Cancellation MT527 (MT527 tag 23G = CANC)

- Unmatched MT527 messages are deleted at EOD – 17:00 EST

- Future dated releases of collateral, ie where the trade/settle date is not the current day are cancelled

Matching Criteria

BNY matches the Collateral Receivers MT527 message against the Collateral Providers message on the following fields.

PARAMETER	MT527/542	MT103/202	MATCHING CRITERIA
MD Account number	97A	57A	MD account number
Security movements	35B	N/A	Market Identifier - Must match Counter party id; (ISIN, Cusip, Sedol) - BNY will not translate to match.
	36B	N/A	Quantity
Cash Movements	19A	32A	Currency and Amount (:19A::CASH//USD5000,00) Value Date, Currency Code, Amount (:32A:200224USD5000,00) Note: Date is ignored, match is performed on the CCY and Amount

APPENDIX 3

MARGIN DIRECT EXTERNAL PLEDGE LONG ACCOUNT

Watch Our Demo Video

▶

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