



Payments Market Practice Document

ISITC Payments Working Group

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DISCLAIMER

This market practice document has been developed by the International Securities Association for Institutional Trade Communication (ISITC) as a statement of professional practices recommended by ISITC. Institutions providing the information recommended in this document will benefit from the efficiencies inherent in a more automated transaction process. Although all institutions are encouraged to act consistently with this document, none are required to do so, and a failure to do so is not, in and of itself, evidence of negligent or inappropriate conduct.



Document History

Version #	Change Date	Description of Change	Author
1.0	12/7/08	Initial Release of Payments Market Practice Document	Co-chairs



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1.0 Introduction

This purpose of this document is to provide guidelines and market practice recommendations for the use of messaging in support of payments related processing. These guidelines are for payment messages as used within the Securities segment of the financial services industry within the United States. It should be noted that while there may be some overlap around usage, these market practice recommendations are separate from the Payments segment of the banking service industry.

This document focuses on the data flow between two parties, and provides recommendations on how different industry standard messaging can be used in support of several business models. This Market Practice document is a working document and will continue to be enhanced to provide additional guidelines and market practices as needed by our constituency within ISITC. New guidelines will be added throughout time as requested by the ISITC membership.

This market practice document itself is structured with three separate sections:

Background

This section provides high level information with respect to payments processing and the introduction of messaging in support of that processing. It will introduce the concept of payment instructions, payment instruction cancellations, payments status, payment confirmation, and lastly reversal of payment instructions. Further it will introduce the basic parties that are the intended audience of this document; Investment Managers and Global Custodians.

Business Definition

This section introduces some basic concepts and definitions that are used throughout the use of payments messaging. A *basic* or *generic* payments message is introduced to identify and define the common data elements that are typically found and therefore are recommended in most payments messages. Also in this section, Cash Purpose code words as identified by the industry are introduced, defined, and why they are recommended for use is explained.

Appendix

There are multiple business processes within the industry and within individual organizations for which payments related data flow is required. These business processes in many cases can be unique, but will also have similarities to other processes that are outlined.

This document will contain multiple appendixes, each to be used to provide details and recommendations of market practice use for payments messaging. The recommendations can be specific to a particular business process, or separately may be specific to the use of certain message format /syntax (csv files, industry messages etc.)

1.0 Introduction cont.

Each appendix will provide market practice recommendations for the use of messaging in support of the business process identified within it. Included in the appendix will be an explanation of the business process, identification of parties involved and their role in the process, and an outline of the data flow among those parties. The final section of the appendix will be the detailed technical recommendation on how to construct and use the messages in support of the business process. Following is a list of Appendices included in this document:

Appendix #	Name	Description	Link

2.0 Background

This section provides high level information with respect to payments processing and the introduction of messaging in support of that processing. It will introduce the concept of payment instructions, payment instruction cancellations, payments status, payment confirmation, and lastly, reversal of payment instructions.

The appendices in this document are included to provide details of individual work flows that leverage payment messaging. Details of each appendix will include the scope, identification of the actors involved, a process flow, message usage rules, message structure recommendations, and a sample message.

Types of Payment Flows

Flow	General Description
Instruction	Message from a client that requests an account servicer to initiate/receive a payment to/from another party.
Instruction cancellation	Message from a client that requests an account servicer to cancel a previously sent instruction.
Status	Message from an account servicer to a client indicating the current (at the time the message is sent) status of that payment.
Confirmation	Message from an account servicer to a client confirming that a payment has been made.
Reversal	Message from a client requesting an account servicer to recall a previously made payment Or Message from an account servicer to a client confirming that a previously made payment had been reversed.

Actors and Roles

A brief note regarding Actors and Roles, terms used within the document. The term *Actor* is used to identify a type of organization that is involved in a certain flow or process being described. The term *Role* is used to identify the task or purpose of that Actor involved in a certain flow or process. The organization will be indicated by its *Actor* name and described by the *Role* it plays.

The following Roles have been identified and are used throughout this document:

- Account Owner
- Account Servicer
- Cash Clearing Depository
- Local Clearing Agent
- Counterparty

2.0 Background cont.

The following Actors have been identified and are referenced throughout this document:

- Underlying Client
- Investment Manager
- 3rd Party middle office outsourcer/vendor
- Lending Agent
- Global Custodian
- Accounting Agent
- Prime Broker
- Cash Clearing Depository
- Sub-Custodian
- Clearing Bank
- Executing Broker
- Borrowing Broker

3.0 Business Definition

This section introduces the ‘generic’ payment message and baseline business data requirements for all securities related payment messages. Although the different business flows are defined within their own appendices, in practice most of the payments messages will include the same business elements as the generic payment message, and will be differentiated only by the use of certain other data points.

Please note that no specific cash purpose code words exist for ‘generic’ payments.

Business Data Requirements

This section identifies the common business elements that are the foundation of payment instructions.

Business Element	Comments
Message Identification	Reference number to unambiguously identify the message.
Payment Method	All payments will use ‘TRF indicating transfer of funds.
Trade Date	Date at which the initiating party requests the clearing agent to process the payment
Debtor (Account Owner)	Party that owes an amount of money to the ultimate creditor
Requested Execution Date/Settlement Date	Date on which the debtor’s account is debited.
End-to-end Identification	Unique identification assigned by initiating party to unambiguously identify the payment. This id is passed on, unchanged, throughout the entire end-to-end chain, which all parties in the chain can use to identify this particular payment
Currency of Payment	Currency
Instructed Amount of Payment	Amount of money to be moved between the debtor and creditor, expressed in currency as ordered by initiating party.
Cash Purpose Code	Underlying reason for the payment transaction. (see section 3.3 for list of approved ISITC purpose codes).
Intermediary Agent	The agent between the debtor agent and creditor agent. Optional to be used (or not used) as required for payment chain.
Creditor agent	Financial institution servicing an account for the creditor

Message Usage Rules

This market practice supports the use of a single message for a single payment, i.e. funds will be debited from a single account at the debtor agent and will be credited to a single account at the creditor agent.



3.0 Business Definition cont.

Cash Purpose Codes

This section introduces a list of Cash Purpose Code words. Within the release of the MX Payment messages, the use of a Cash Purpose Code word is recommended as a manner in which the purpose of the payment can be specified. Although the Payments Industry already has a list of published code words, the ISITC membership concluded that the list was not sufficient to support payment message needs. ISITC has created a list of standard code words, and recommends them here within this document. It is recommended that any payment message utilizes one of the ISITC code words to ensure the efficient and automated processing of that message.

This is an ISITC owned codeword list and is controlled by the ISITC Payments Market Practice working group. Requests to add, remove, or modify code words in this list must be submitted to the Payments Working group and will be reviewed and approved accordingly.

Code	Brief Description
FEES	Fees related to the opening of the trade itself
MARG	Any cash payment related to daily listed derivative margin, which is not segregated as collateral, and is available for use by the client/recipient. Example: Listed future/option related margin payments and premium payments for listed options that are not covered in the MT54x message
SWUF	Swap related upfront payment
SWRS	Swap related reset payment
SWPP	Swap partial payment
SWFP	Swap related final payment
CDEP	Credit Default Event Payment
OPBC	Option Broker Owned Cash Collateral – any cash payment related to the collateral for an OTC option, which is segregated, and not available for use by the client.
OPCC	Option Client Owned Cash Collateral – any cash payment related to the collateral for an OTC option, which is owned by the client and is available for use by the client when it is returned to them
FWBC	Forwards Broker Owned Cash Collateral any cash payment related to the collateral for a Master Agreement forward, which is segregated, and not available for use by the client. Example master agreement forwards include TBA, repo and Bond Forwards.
FWCC	Forwards Client Owned Cash Collateral any cash payment related to the collateral for a Master agreement forward, which is owned by the client and is available for use by the client when it is returned to them. Example master agreement forwards include TBA, repo and Bond Forwards.
MGCC	Margin Client Owned Cash Collateral - Any cash payment related to the collateral for initial futures margin, which is owned by the client and is available for use by the client when it is returned to them.
SWBC	Swaps Broker Owned Cash Collateral any cash payment related to the collateral for Swap

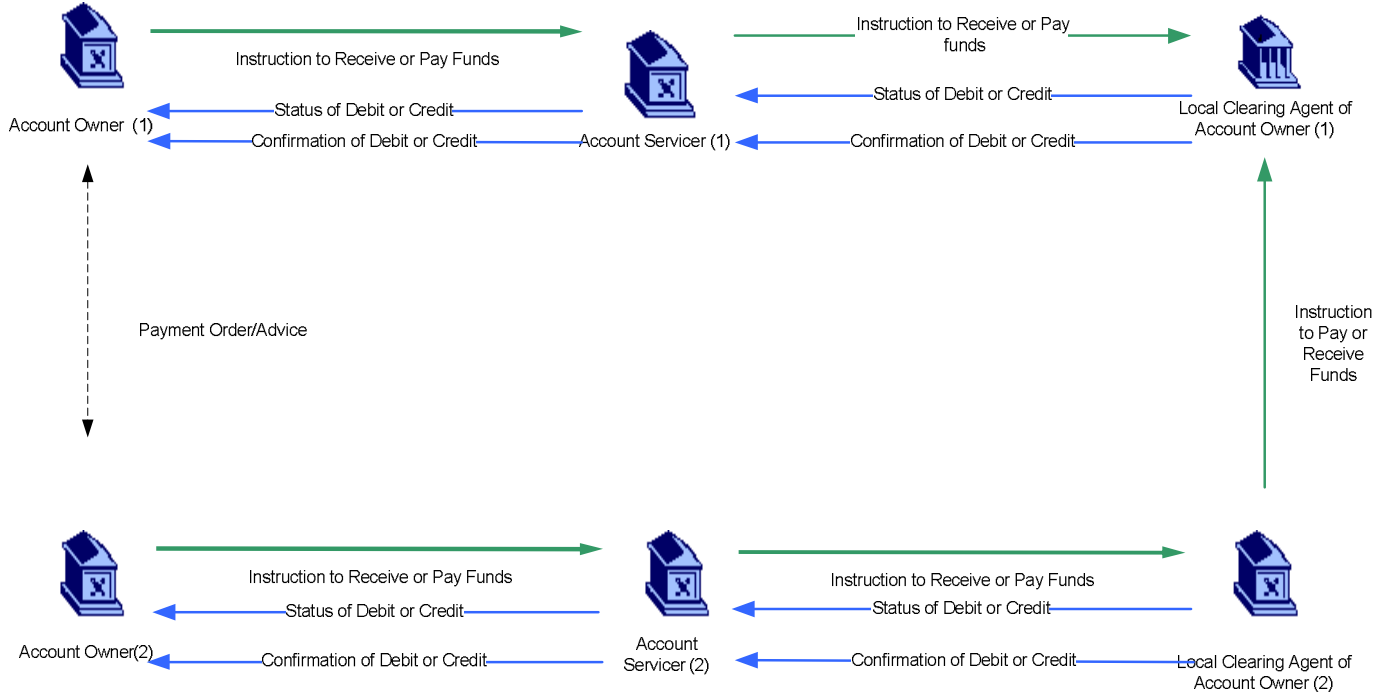


Code	Brief Description
	margin, which is segregated, and not available for use by the client. This includes any collateral identified in a CFA agreement such as Swap or FX Forward collateral.
SWCC	Swaps Client Owned Cash Collateral any cash payment related to the collateral for Swap margin, which is segregated, and not available for use by the client. This includes any collateral identified in a CFA agreement such as Swap or FX Forward collateral.
EQCO	Equity Mark – Client owned collateral – cash payment made from the client to the broker to reduce the current collateral level of a securities lending transaction related to an equity security. The cash is available for the brokers use. The client owned designation is an indicator of cash flow direction.
EQBO	Equity Mark – Broker owned collateral - cash payment made from the broker to the client to increase the current collateral level of a securities lending transaction related to an equity security. The cash is available for the clients use. The broker owned designation is an indicator of cash flow direction
CMCO	Corporate Mark – Client Owned - Cash payment made from the client to the broker to reduce the current collateral level of a securities lending transaction related to a corporate security. The cash is available for the brokers use. The client owned designation is an indicator of cash flow direction
CMBO	Corporate Mark – Broker Owned - Cash payment made from the broker to the client to increase the current collateral level of a securities lending transaction related to a corporate security. The cash is available for the clients use. The broker owned designation is an indicator of cash flow direction
CREB	Corporate Rebate - Rebate paid or owed in exchange for holding cash as collateral on a securities lending transaction.
TFUS	US Trailer Fee/Investment Fund Payments
TFOF	Off-short Trailer Fee/Investment Fund Payments
SPLT	Split Cash Payments - there is an associated security settlement to the split settlement for scenario where a separate payment was sent related to a free of payment delivery of a security
OWNI	Internal cash transfer payment is related to a transfer between accounts at one custodian
TBAN	TBA Netting CLS and Non-CLS
BKPD	Bank Loan Municipal pay-downs

3.0 Business Definition cont.

Process Flow

This is the generic payment process workflow on which this market practice is based. It identifies the primary roles of the participants in the workflow.



4.0 Appendix