ISO 20022

CSDR Buy In Reporting

Message Definition Report Part 1

This document provides information about the use of the messages for buy-in regulatory reporting and includes, for example, business scenarios and messages flows.

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Preliminary note:

The Message Definition Report (MDR) is made of three parts:

MDR - Part 1

This describes the contextual background required to understand the functionality of the proposed message set. Part 1 is produced by the submitting organisation that developed or maintained the message set in line with a MDR Part1 template provided by the ISO 20022 Registration Authority (RA) on [www.iso20022.org](http://www.iso20022.org)

MDR – Part 2

This is the detailed description of each message definition of the message set. Part 2 is produced by the RA using the model developed by the submitting organisation.

MDR – Part 3

This is an extract of the ISO 20022 Business Model describing the business concepts used in the message set. Part 3 is an Excel document produced by the RA.

# Introduction

## Terms and Definitions

The following terms are reserved words defined in ISO 20022 Edition 2013 – Part1. When used in this document, the UpperCamelCase notation is followed.

|  |  |
| --- | --- |
| Term | Definition |
| BusinessRole | Functional role played by a business actor in a particular BusinessProcess or BusinessTransaction. |
| Participant | Involvement of a BusinessRole in a BusinessTransaction. |
| BusinessProcess | Definition of the business activities undertaken by BusinessRoles within a BusinessArea whereby each BusinessProcess fulfils one type of business activity and whereby a BusinessProcess may include and extend other BusinessProcesses. |
| BusinessTransaction | Particular solution that meets the communication requirements and the interaction requirements of a particular BusinessProcess and BusinessArea. |
| MessageDefinition | Formal description of the structure of a message instance. |

1. When a MessageDefinition or message identifier is specified, it should include the variant and version number. However, in this document (except in the business examples section, if present), variant and version numbers are not included. In order to know the correct variant and version number for a MessageDefinition, the related Message Definition Report Part 2 document should be consulted.

## Abbreviations and Acronyms

The following is a list of abbreviations and acronyms used in the document.

|  |  |
| --- | --- |
| Abbreviation/Acronyms | Definition |
| CCP | Central Counterparty |
| CSD | Central Securities Depository |
| CSDR | Central Securities Depository Regulation (EU) |
| ICSD | International Central Securities Depository |
| RTP | Receiving Trading Party |
| DTP | Receiving Trading Party |
| SMPG | Securities Market Practice Group (www.smpg.info) |

## Document Scope and Objectives

This document is the first part of the Buy-In Regulatory Reporting Message Definition Report (MDR) that describes the BusinessTransactions and underlying message set.

This document describes the following:

* the BusinessProcess scope
* the BusinessTransactions scope and the respective message flows

The main objectives of this document are as follows:

* to provide information about the messages that support the business processes
* to explain the BusinessProcesses and BusinessActivities these messages have addressed
* to give a high level description of BusinessProcesses and the associated BusinessRoles
* to document the BusinessTransactions
* to provide business examples

The messages definitions are specified in Message Definition Report Part 2.

## References

|  |  |  |  |
| --- | --- | --- | --- |
| Document | Version | Date | Author |
| ISO 20022 Business Justification –  CSDR Buy-in Reporting |  | May 2020 | KDPW, SWIFT |
| SMPG Market Practice – CSDR Buy-in Process: Reporting to the CSD |  | May 2020 | SMPG |

# Scope and Functionality

## Background

The EU CSD Regulation (CSDR) on Settlement Efficiency mandates a buy-in process if the delivering party is unable to deliver the securities.

Article 31.4 of the Regulatory Technical Standards (RTS) on CSDR states:

"The receiving trading party shall notify the results of the buy-in to the failing trading party at the latest on the last business day of the applicable period determined in accordance with Article 37. The receiving trading party shall ensure that the relevant CSD receives the information notified without undue delay."

The above statement places a requirement on all parties in the settlement chain to communicate information regarding a buy-in (or cash compensation if it was not possible to execute a buy-in transaction) from the trading party through to the (I)CSD.

The purpose of the message set described in this document is to meet the buy-in reporting requirements of the CSDR by allowing automated communication between the involved institutions using the ISO 20022 standard.

Underlying regulations

* Regulation (EU) no 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (“EU CSD-Regulation”)
* Delegated Regulation (DR) 2018/1229, supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on the settlement discipline regime (SDR)
* RTS: Regulatory Technical Standards, which are endorsed by the European Commission by means of a delegated act supplementing an EU Regulation or a Directive
* Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories
* Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards with regard to standard forms, templates and procedures for authorisation, review and evaluation of central securities depositories, for the cooperation between authorities of the home Member State and the host Member State, for the consultation of authorities involved in the authorisation to provide banking-type ancillary services, for access involving central securities depositories, and with regard to the format of the records to be maintained by central securities depositories in accordance with Regulation (EU) No 909/2014 of the European Parliament and of the Council

## Scope

The scope of message set described in this document is limited to the reporting requirements of the respective regulations. The full CSDR buy-in process is covered by other messages and has been described in detail in the SMPG Market Practice document: "CSDR Buy-in Process - Reporting to the CSD".

The message set is part of securities settlement and reconciliation business area.

## MessageDefinitions and Functionality

1. These messages are to be used with the ISO 20022 Business Application Header (head.001). The schema and more information about the Business Application Header (BAH) can be found on the www.iso20022.org web site.

### Buy-in Regulatory Reporting

|  |  |
| --- | --- |
| MessageDefinition | Message Identifier |
| Buy-InRegulatoryAdvice | sese.041 |
| Buy-InRegulatoryAdviceResponse | sese.042 |

### Functionality

See Message Definition Report Part 2 for the message scopes and formats.

# BusinessRoles and Participants

A BusinessRole represents an entity (or a class of entities) of the real world, physical or legal, a person, a group of persons, a corporation. Examples of BusinessRoles: “Financial Institution”, “Automated Clearing House”, “Central Securities Depository”.

A Participant is a functional role performed by a BusinessRole in a particular BusinessProcess or BusinessTransaction. Examples of Participants: the “user” of a system, “debtor”, “creditor”, “investor”.

The relationship between BusinessRoles and Participants is many-to-many. One BusinessRole can be involved as different Participants at different moments in time or at the same time. Examples of BusinessRoles: "user", "debtor”, "creditor", "investor". Different BusinessRoles can be involved as the same Participant.

In the context of buy-in reporting, the high-level BusinessRoles and typical Participants can be represented as follows:

## Participants and BusinessRoles Definitions

Participants

|  |  |
| --- | --- |
| Description | Definition |
| Reporting Party | Party that submits a report/advice to a servicing party. The party must own the account or have a power of attorney over the account. |
| Servicing Party | Party that receives the buy-in report. |

Business Roles

|  |  |
| --- | --- |
| Description | Definition |
| Global Settlement Agent | Party that holds another party's inventory of financial instruments, and effects or receives deliveries versus payment, or free of payment. Deliveries, receipts, and payments may be affected within the facilities of the global settlement agent, or within the facilities of a local settlement agent, and directed by the global settlement agent. A global settlement agent may be a custodian and/or a clearing broker. |
| Local Settlement Agent | Party that holds a portion of another party's inventory of financial instruments within a location or market, effects or receives local deliveries versus payment, or free of payment, as directed by the global settlement agent. A local settlement agent may be a local custodian and/or a local clearing broker. |
| Central Counterparty | Infrastructure that is very often a component of a clearinghouse, and facilitates clearing and settlement for its members by standing between the buyer and the seller of a trade. It may net transactions, and substitutes itself as settlement counterparty to each position. |
| CSD / ICSD | Infrastructure that, holds or controls, the holding of physical or dematerialised financial instruments belonging to all, or a large portion of, the investors in a securities market. It effects the centralised transfer of ownership of such securities by entries on its books and records. The depository may delegate custody to another entity (custodian). |
| Delivering Trading Party | Financial institution selling underlying assets. Other terms that have the same meaning in the context of a buy-in process are: Seller, Failing Delivering Party. For trades cleared by a CCP this is the delivering clearing member. |
| Receiving Trading Party | Financial institution buying underlying assets. Other terms that have the same meaning in the context of a buy-in process are: Buyer, Receiver, RTP, Non Failing Party. For trades cleared by a CCP this is the receiving clearing member. |
| National Competent Authority | National competent authorities are organisations that have the legally delegated or invested authority, or power to perform a designated function, normally monitoring compliance with the national statutes and regulations. |

# BusinessProcess Description

## Buy-in Regulatory Reporting

The diagram below shows the message flow between the reporting party(ies) and the servicing party(ies).

The results of the buy-in are communicated to the CSD by the receiving trading party (RTP) or the CCP,or the receiving trading venue member, up through the settlement chain. The RTP will communicate to its (global) custodian, who will forward it to the local custodian or to the CSD. The CSD participant will forward it to the CSD.

The CSD stores the information received in line with the regulation and reports the number and value of buy-in transactions to its National Competent Authority (NCA) on a yearly basis. The detailed data needs to be available for ad hoc investigations of the NCA.

Note, that the scope of this message set is limited to the reporting requirements of the respective regulations. The full CSDR buy-in process is covered by other existing messages and has been described in detail in the SMPG Market Practice document "CSDR Buy-in Process - Reporting to the CSD".

Buy-in regulatory reporting



# Business Examples

This section describes business examples of the use of the various MessageDefinitions.

## BuyInRegulatoryAdvice sese.041.001.01

Description

Following the settlement failure of transaction TR1, at the end of extension period defined by CSDR, the Non Failing Receiving Party ABCD (ABCDABCD041) executed a buy-in procedure in order to buy assets equivalent to the original failing transaction. After settlement of the buy-in transaction, ABCD reports the results of the buy-in to the CSD.

Business Data

Safekeeping account: ACC1

Buy-in status code: fully successful (BSSY)

Buy-in deferral code: No

Underlying financial instrument (ISIN): AA1234567890

Quantity (unit): 1000

Buy-in price (amount): 98,76 EUR

Buy-in settlement date: 2021/08/13

Failing instruction account owner reference: TR1

Failing transaction account servicer reference: CSDREF123

Advice identification: BUYINADV1 (reference provided in BAH)

Message Instance

<BuyInRgltryAdvc>

<AcctOwnr>

<Id>

<AnyBIC>ABCDABCD041</AnyBIC>

</Id>

</AcctOwnr>

<SfkpgAcct>

<Id>ACC1</Id>

</SfkpgAcct>

<BuyInAttrbts>

<Ref>

<AcctOwnrTxId>TR1</AcctOwnrTxId>

<AcctSvcrTxId>CSDREF123</AcctSvcrTxId>

</Ref>

<BuyInStat>BSSY</BuyInStat>

<BuyInDfrrl>DEFN</BuyInDfrrl>

<FinInstrmId>

<ISIN>AA1234567890</ISIN>

</FinInstrmId>

<Qty>

<Unit>1000</Unit>

</Qty>

<BuyInPric>

<Amt Ccy="EUR">98.76</Amt>

</BuyInPric>

<BuyInSttlmDt>

<Dt>2021-08-13</Dt>

</BuyInSttlmDt>

</BuyInAttrbts>

</BuyInRgltryAdvc>

## BuyInRegulatoryAdviceResponse sese.042.001.01

Description

Upon receiving a buy-in advice as described in the previous example, CSD A confirms the receipt of the message to institution ABCD.

Business Data

Requested reference: BUYINADV1

Processing status (no reason): accepted

Message Instance

<BuyInRgltryAdvcRspn>

<ReqRef>

<Id>BUYINADV1</Id>

</ReqRef>

<AcctOwnr>

<Id>

<AnyBIC>ABCDABCD041</AnyBIC>

</Id>

</AcctOwnr>

<SfkpgAcct>

<Id>ACC1</Id>

</SfkpgAcct>

<PrcgSts>

<AckdAccptd>

<NoSpcfdRsn>NORE</NoSpcfdRsn>

</AckdAccptd>

</PrcgSts>

</BuyInRgltryAdvcRspn>

Note that the buy-in details may optionally be included in the response message.

# Revision Record

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Revision | Date | Author | Description | Section Affected |
| 1.1 | 15.07.2020 | RA and KDPW | Quality review | All |
| 1.0 | 05.06.2020 | KDPW | Updated message and fieldnames | All |
| 0.1 | 01.06.2020 | KDPW | Draft | All |
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