



## SERVICE DESCRIPTION

### DENMARK TARGET2-SECURITIES – DANISH KRONER

**Document history:**

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1.0	2018-03-28	Introduction	
2.0	2018-06-29	3.2 Clearing Participant Standard Settlement Instructions	Settlement instructions in which EuroCCP is a counterparty settle on the T2S platform

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## 1 TARGET2-Securities introduction

Following the migration of Euro denominated settlement activities to the TARGET2-Securities platform (T2S) on 12 September 2016, VP Securities will connect to T2S and outsource the settlement process to this pan European platform for Danish Kroner denominated securities settlement from settlement date Monday 29 October 2018. Following the introduction of T2S in the Danish market for Danish Kroner, the settlement process will be performed in accordance with the procedures and timetables established by T2S and the Danish Central Bank.

EuroCCP will become a Directly Connected Party (DCP) to the T2S platform in the Danish Market and will operate a Dedicated Cash Account (DCA) with the Danish Central Bank and a T2S Securities Account (SAC) with VP Securities.

The purpose of this document is to outline the changes to EuroCCP's services for the Danish market as a consequence of the introduction of T2S for Danish Kroner.

## 2 Main changes

The following elements of the settlement process and EuroCCP's services will be impacted by the introduction of T2S in the Danish Market:

- Clearing Participants' and EuroCCP Standard Settlement Instructions.
- Settlement prioritisation.
- Cycle processing versus real time settlement in T2S.
- Mandatory use of partial indicator PARQ.
- New Instruction types.
- Processing of corporate actions, market claims and transformations.
- Specification of EuroCCP's reporting, including CIF.

These changes are outlined in this document.

### 2.1 EuroCCP Standard Settlement Instructions

With the introduction of T2S for Danish settlement activities in Danish Kroner, settlement arrangements and Standard Settlement Instructions (SSIs) for Clearing Participants and EuroCCP will change.

#### Mandatory matching fields

Mandatory matching fields are fields that must be present in the settlement instruction and values must be the same in both legs of the settlement instruction. The 'Delivery and Receiving party' and the 'CSD of the delivery and receiving party' are mandatory matching fields and must be completed with the BIC11 of the respective party.

#### Optional matching fields

Optional matching fields are fields for which matching is allowed, should one party enter a value and the other party leave the field blank. In the event both parties have entered a value, the value must be the same.

The 'Client of the CSD participant' and the 'Securities account of the delivery / receiving party' are optional matching fields. EuroCCP does not mandate the use of the optional fields and treats these field as an optional matching field in accordance with the specifications of VP Securities and T2S.

#### EuroCCP SSI's

EuroCCP new SSIs, as detailed below, will apply from settlement date Monday 29 October 2018:-

*EuroCCP SSIs VP Securities:*

Delivery / Receiving party BIC (DEAG / REAG)	EMCFNL2AXXX
Securities Account	VPDK17501175001
CSD of Delivering / Receiving party (PSET)	VPDKDKKKXXX

## 2.2 Settlement prioritisation

T2S uses four levels of settlement priority:-

1. Reserved priority
2. Top priority
3. High priority
4. Normal priority

Should there be insufficient cash or securities to fulfil all transactions, settlement preference will be given to the settlement instruction with the highest priority.

All settlement instructions distributed to T2S by EuroCCP matching with the settlement instructions submitted by EuroCCP's counterparty, will benefit from the level 2 settlement priority. It is not currently possible to assign different levels of settlement priority in the VP system.

## 2.3 Cycle processing versus real time settlement

All settlement instructions against EuroCCP currently settle in six settlement batches in the VP system, which begins at 18:00 CET on ISD-1 and runs until 12:00 CET on ISD. During each settlement cycle, a partial settlement window is scheduled, except during the last settlement cycle (cycle 60).

In T2S, the first night time settlement cycle begins around 20:00 CET on ISD-1 and will be followed by the last night time settlement cycle which includes a partial window. Real time settlement begins at 05:00 CET on ISD until 16:00 CET for Delivery versus Payment (DvP) transactions and until 18:00 CET for Free of Payment (FoP) transactions. Five 15 minute partial windows are scheduled during real time settlement at 08:00, 10:00, 12:00, 14:00 and 15:45 CET.

EuroCCP will settle all its settlement obligation in Danish Kroner in Central Bank Money (CeBM) in T2S. This applies to ISINs that have been classified as T2S eligible securities by VP Securities. Those ISINs that are classified as non-T2S eligible continue settle in the VP system, but these ISINs are not cleared by EuroCCP.

## 2.4 Partial Indicator PARQ

Settlement instructions between Clearing Participants and EuroCCP must be instructed in T2S by using PARQ, the partial indicator, at all times. This allows the delivery of each security received, which has a positive impact on the settlement efficiency and reduces overnight fail positions.

## 2.5 Instruction types DWP, RWP and PFOD

EuroCCP continues to support the resolution of strange nets by means of directional netting or FOP, however a third solution is supported by EuroCCP with the migration of the Danish Kroner to T2S. Delivery With Payment (DWP), Receive With Payment (RWP) and Payment Free of Delivery (PFOD) instruction types have been introduced for the Danish Market, all of which will be supported by EuroCCP.

Clearing Participants that wish to settle through these instructions types in the Danish market must inform EuroCCP by email to [clientservices@euroccp.com](mailto:clientservices@euroccp.com), detailing which Trading Participant this option should apply for.

As a result of the netting process applied by EuroCCP, based on the netting preferences of the Clearing Participant, settlement instructions with zero quantity and zero cash balance could be created. Following the implementation of T2S, EuroCCP will not submit these settlement instructions to the settlement platform and consider these settlement instructions as settled on Intended Settlement Date (ISD).

## 2.6 Power of Attorney

EuroCCP will continue to support Settlement Agent PoA services, where settlement instructions are delivered to the settlement agent on behalf of a Clearing Participant, following the migration of Danish Kroner to T2S.

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## 2.7 Specifications of EuroCCP's reporting including CIF

As from Trade Date Monday 10 September 2018, EuroCCP's settlement instructions and Client Information File (CIF) contain the new PSET, the BIC11 of the local CSD.

The 8-digit CSD BIC will change to CSD BIC11 as follows:-

VPDKDKKK	VPDKDKKKXXX
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## 2.8 Processing of corporate actions on flow

Currently, proceeds from corporate events are handled bilaterally between CSD participants. With the migration to T2S, most corporate event types are processed automatically by VP Securities. Those corporate event types that are not automatically processed by VP securities, are handled bilaterally between the VP Securities participants and payments related to these corporate event types will settle during VP batch 14 outside T2S.

### 2.8.1 Market Claims

The proceeds from corporate actions that are managed by VP Securities will settle in the T2S platform. EuroCCP will allow VP Securities to adjust settlement instructions in T2S that are entitled to the proceeds of a corporate action. Market claims will be generated for matched released and held settlement instructions and are generated with the same terms as the underlying settlement instructions, including the hold and release status.

### 2.8.2 Transformations

Transformations of entitled matched pending settlement instruction are managed by VP Securities. EuroCCP allows VP Securities to transform released and held settlement instructions entitled for a transformation. VP Securities will cancel the entitled settlement instruction and replace the cancelled settlement instructions with a new settlement instruction according to the terms of the transformation. The same conditions will be applied by VP Securities as the original settlement instruction, including the hold and release status.

## 3 Client actions

### 3.1 Clearing Participant testing

From Monday 14 May 2018, EuroCCP's client test environment will be linked to T2S test environment for Danish Kroner. Clearing Participants and their settlement agents will be able to undertake their testing according to T2S requirements.

### 3.2 Clearing Participant Standard Settlement Instructions

In order that settlement instructions successfully match as soon as possible during the first settlement day in T2S, EuroCCP recommends that Clearing Participants and their settlement agents confirm their new production SSIs and to test the matching of settlement instructions with these new SSIs.

Clearing Participants that are active on the Danish market must confirm their new SSIs for the production environment by completing EuroCCP's Danish Information Form, which should be returned to EuroCCP no later than 1 September 2018.

All settlement instructions in which EuroCCP is a counterparty will settle on the T2S platform, Clearing Participants must have undertaken the necessary actions to ensure that the correct account structure is arranged with VP Securities which allows them to settle the CCP related activity within a T2S securities account.

### 3.3 Settlement Agent Power of Attorney

Clearing Participants should update their current settlement agent PoA agreements with their new SSI's in the annex section and confirm that this has been completed by signing and returned the readiness statement to EuroCCP.

## 3.4 Readiness Statement

In order to ensure a smooth migration, Clearing Participants must confirm their readiness for the migration of Danish Kroner to T2S by completing EuroCCP's Readiness Statement, which should be signed and returned no later than 12 October 2018.