



Important Notice
Fixed Income Clearing Corporation - CMU

CMU #:	CMU 003.15
Date:	July 28, 2015
To:	All NSCC Participants
Category:	Service Update
From:	FICC Product Management
Attention:	Managing Partner/Officer, Operations Partner/Officer, Compliance Officer
Subject:	TESTING AND PRODUCTION DATES FOR NSCC SETTLEMENT ELIGIBILITY OF T+1 SETTLEMENT CYCLE CORPORATE BOND, MUNICIPAL BOND, UIT (CMU) REAL TIME TRADE MATCHING (RTTM) TRADES

Please see the attached NSCC Important Notice regarding Testing and Production dates for CMU RTTM T+1 settlement cycle trades.

If you have any questions regarding this or other CMU RTTM services, please enter your question into the PBS WINS function, contact your Relationship Manager, email RMsupport@dtcc.com or contact the undersigned at 212-855-7623 (efanning@dtcc.com).

Ed Fanning
 Director, Product Management

A#:	a8059
P&S#:	7634
DATE:	JULY 28, 2015
TO:	ALL PARTICIPANTS
ATTENTION:	MANAGING PARTNER/OFFICER, OPERATIONS PARTNER/OFFICER, COMPLIANCE OFFICER
FROM:	PRODUCT MANAGEMENT
SUBJECT:	TESTING AND PRODUCTION DATES FOR NSCC SETTLEMENT ELIGIBILITY OF T+1 SETTLEMENT CYCLE CORPORATE BOND, MUNICIPAL BOND, UIT (CMU) REAL TIME TRADE MATCHING (RTTM) TRADES

As outlined in NSCC Important Notice A#7982, P&S #7557 dated 2/12/15, subject to regulatory approval of any required filings, starting T/D 11/6/15 DTCC plans to make T+1 settlement cycle CMU RTTM trades eligible for settlement in NSCC's Continuous Net Settlement (CNS) and Non CNS Balance Order systems.

This change will apply to matched CMU RTTM trades where $S/D = T/D + 1$ (e.g., T/D Friday 11/6/15, S/D Monday 11/9/15). These trades will appear on the NSCC Consolidated Trade Summary (CTS).

Currently T+1 settlement cycle trades are processed as "Comparison Only" by CMU RTTM and do not appear on the CTS. Also, Non CNS T+1 trades are currently not automatically forwarded to the Obligation Warehouse since NSCC Balance Orders are not created for them.

Impact on CMU RTTM Trade Input

Some firms are coding T+1 CMU trades as "Comparison Only" on their MT 515 trade messages. (In the SETDET block, the :22F::SETR/GSCC/CPRO option identifies a trade to be processed for "Comparison Only"). Coding trades as "Comparison Only" prevents them from settling in NSCC's CNS or Balance Order systems.

This is unnecessary as CMU RTTM currently automatically designates CMU T+1 trades as "Comparison Only" even if firms do not submit in this manner. CMU RTTM will stop doing this for T+1 settlement cycle trades with a T/D of 11/6/15 and thereafter.

Firm submission of "Comparison Only" on T+1 trades should be discontinued, unless on an exception basis, a specific trade should be processed for comparison purposes only and not be sent to NSCC for settlement.

DTCC has reached out to affected firms to remove "Comparison Only" code from their T+1 trade submission. This behavior can be altered now. Failure to remove this for T+1 trades of 11/6/15 will cause them to not match.

Obligation Warehouse Impact

When implemented on T/D 11/6/15, T+1 CMU RTTM Non CNS trades will create NSCC Balance Orders which will be forwarded to the Obligation Warehouse. Firms should examine their procedures to include the Obligation Warehouse Control Number on their DTC Deliver Orders to ensure the T+1 CMU trade Fail is systemically removed from Obligation Warehouse when the DTC delivery is made.

Firm Testing

Testing is now available for firms that regularly execute T+1 CMU trades.

Testing is available to remove the "Comparison Only" designation on CMU RTTM T+1 messages.

Testing the machine readable version of the NSCC Consolidated Trade Summaries (AutoRoute #s 02042354 & 02040954) is recommended. The AutoRoute #s in the test region are 02982354 and 02980954.

In addition, testing the Obligation Warehouse MT 518 message output and the Obligation Warehouse Position File #02050703 (Test #02980703) is available.

Contact **FICCSUPPORT@dtcc.com** to coordinate testing. They can supply you with a Test Script.

Settlement Considerations for T+1 CMU RTTM Settlement Cycle Trades

- **While most CMU RTTM trades match by 11:30 a.m. on T+1, if a T+1 trade is unmatched at 11:30 a.m. on T+1, firms retain the ability to Modify the trade to “Comparison Only” if they want to avoid the S/D from being pushed back a day in NSCC. The contra side will have to do this as well for the trade to match. (This functionality currently exists for T+3 trades that are unmatched at 11:30 a.m. on T+3.)**
- For a T+1 CMU trade to be assigned a T+1 S/D by NSCC’s settlement systems, the trade must match in CMU RTTM by 11:30 a.m. EST on T+1. A T+1 trade that matches after 11:30 a.m. on T+1 will be assigned a NSCC S/D of T+2 (unless Modified to Comparison Only as detailed above).
- T+1 trades that match on T+2 or later will be assigned the soonest available S/D by NSCC. E.g., a T+1 trade matching before 11:30 a.m. on T+2 will be assigned a T+2 S/D. If matched after 11:30 a.m. on T+2, a T+3 S/D will be assigned.
- A CNS eligible trade matched in the morning of the trade’s S/D before 11:30 a.m., will enter CNS after matched by RTTM and before the noon CTS is produced. (This is standard processing and currently occurs for T+3 trades that match in the morning of T+3.)

NSCC Consolidated Trade Summaries and CNS Exemptions

- T+1 trades that match on T will appear in the One Day Settling Section on the CTS that is issued at 10:00 p.m. (AutoRoute #02042354).
- T+1 trades that match on T+1 before 11:30 a.m. will appear in the Same Day CTS that is issued at noon (AutoRoute #02040954).
- T+1 trades that match after 11:30 a.m. on T+1 will appear in the One Day Section on the CTS that is distributed at 10:00 p.m.. (AutoRoute #02042354). The trade will have a S/D of T+2.

- On all of the above, if the trade(s) result in a new CNS short position or increases an existing CNS short position, your firm's One Day Settling CNS Exemption Instruction on the NSCC Master File will be applied to that additional short position.

Impact on CMU RTTM Interface to MSRB's Real Time Reporting System (RTRS)

This effort does not impact how trades are submitted to CMU RTTM for Municipal bond MSRB RTRS processing. "Comparison Only", as stated above, applies to NSCC settlement processing. It does not change how firms instruct CMU RTTM to route trades to MSRB (the process described in the footnote below is not changing.¹)

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Ed Fanning
Director, Product Management

¹ The header of the MT515 enables a participant to designate in the Receiver field whether the record should go to RTTM and, where applicable, the MSRB (NSCCTRRS), or whether the record should go to the MSRB only (NSCCREGO). In addition, the Transaction Processing narrative field (:70E::TPRO//) in the Confirmation Details block (CONFDET) contains a repeating field which is required to further tell the RTTM router where a record should be directed. Participants must indicate whether they want their trades to go.