**Management of settlement instructions on the primary market**

|  |  |  |
| --- | --- | --- |
| **Versioning** | Version | 2.0 |
| Publication date | October 12th, 2016 |

1. **Description of the existing practice & of the Impacts**

|  |  |
| --- | --- |
| **Description of the existing practice** | This market practice appllies to all securities at the time of their issuance on the primary market.   * *As regards French sovereign debt*: after auctions on French sovereign debt (OAT, Treasury bills), Banque de France instructs both legs of the instruction, one for its own account and the other on behalf of the SVT (‘Spécialiste en Valeurs du Trésor’). It substitutes for the SVT for the sending of the settlement instruction. * *As regards other issuers (outside of French money market instruments or ‘TCN’)*: the issuing agent of an issuance on the primarket of a debt security (other then the French sovereign debt), for instance a corporate bond, instructs in Euroclear’s ‘SLAB’ module the settlement instructions corresponding to the placement of the issuance, custodians doing the same for securities subscribed by their clients. The issuing agent ensures that, in relation with custodians, the instructions are matched in view of their settlement. * *As regards French money market instruments (‘Titres de Créances Négociables’ or ‘TCN’)*: TCN issuances are handled using Euroclear France’s platform, which generates the settlement instructions related to the issuance of such instruments.   + There are situtations where the issuer wishes to contribute on an existing security (same ISIN), and issues additional securities on the same ISIN. In this case, the settlement of thie complentary issuance is handled through Euroclear’s SLAB module.   + The issuing agent inputs in Euroclear’s SLAB module the settlement instructions correponding to the complementary placement of the issuance, whereas the relevant custodian(s) do the same for the securities subscribed by their clients. The issuing agent ensures in relation with the custodians, that the instructions are matched in view of their settlement. |
|  |  |
| **Description of the T2S impact** | In T2S:   * *As regards French sovereign debt*: there will be no change in the way Banque de France will instruct on the primary market on Frecnh sovereign debt subsequently to auctions. Existing Power of Attorney will be extended with no need for additional signature. * *As regards other issuers (outside of French money market instruments or ‘TCN’)*: Euroclear’s SLAB module will be replaced by T2S instructions, yet the process will be maintained. * *As regards French money market instruments (‘Titres de Créances Négociables’ or ‘TCN’)*: the proprietary platform will be maintained and will continue to work with proprietary messages; nothing will be changed for that type of issuance. On the contrary, settlement instructions handle dby the current ‘SLAB’ module from Euroclear will be replaced by instructions in T2S, yet the process will be maintained between the relevant stakeholders for the complementary issuances. |
|  |  |
| **Description of the major issue** | If the functionalities Hold and Release and partial settlement were used, this would imply delays in the settlement of these operations or lead to a possibly partially settled instruction.  To be noted:   * *As regards French sovereign debt*: such a process is contrary to the objective of an input by Banque de France on behalf of the SVT, which aims at optimizing the operational process and ensure optimal settlement. * *As regards other issuers and French money market instruments (‘Titres de Créances Négociables’ or ‘TCN’)*: the issuing agent must ensure that the settlement of the whold of the issuance will be effective at the settlement date, and must, to this end, ensure beforehand that all instructions are matched in view of the settlement, in a very short timeframe. |
|  |  |
| **Description of the roles and responsibilities of the actors involved**  **(OPTIONAL)** |  |
|  |  |
| **Workflows**  **(OPTIONAL)** |  |
|  |  |
| **Links with other market practices** |  |

1. **Recommended market practice**

|  |  |
| --- | --- |
| **Recommended practice** | The recommended market practice consists in never using the Hold and Release and Partial Settlement functionalities in instructions relating to a settlement of primary market transactions, be they:   * instructions input by the issuing agent * instructions input by custodians * instructions input on French sovereign debt by Banque de France for its own account or on behalf of the SVTs. * For French money market instruments, instructions intiated by the issuing agent for the contributions on existing ISIN codes (formerly handled through Euroclear’s SLAB module), be they instructions input by the issuing agent or the custodians. |
|  |  | |
| **Description of the roles and responsibilities of the actors involved**  **(OPTIONAL)** |  |
|  |  |
| **Workflows**  **(OPTIONAL)** |  |

1. **IMPLEMENTATION**

|  |  |  |  |
| --- | --- | --- | --- |
| **Implementation timeline** | **Before the migration to T2S** | **Upon go live on T2S** | **After the migration to T2S** |
|   Date: \_\_\_\_\_\_\_\_ |   Date: 12/09/2016 |   Date: \_\_\_\_\_\_\_\_ |