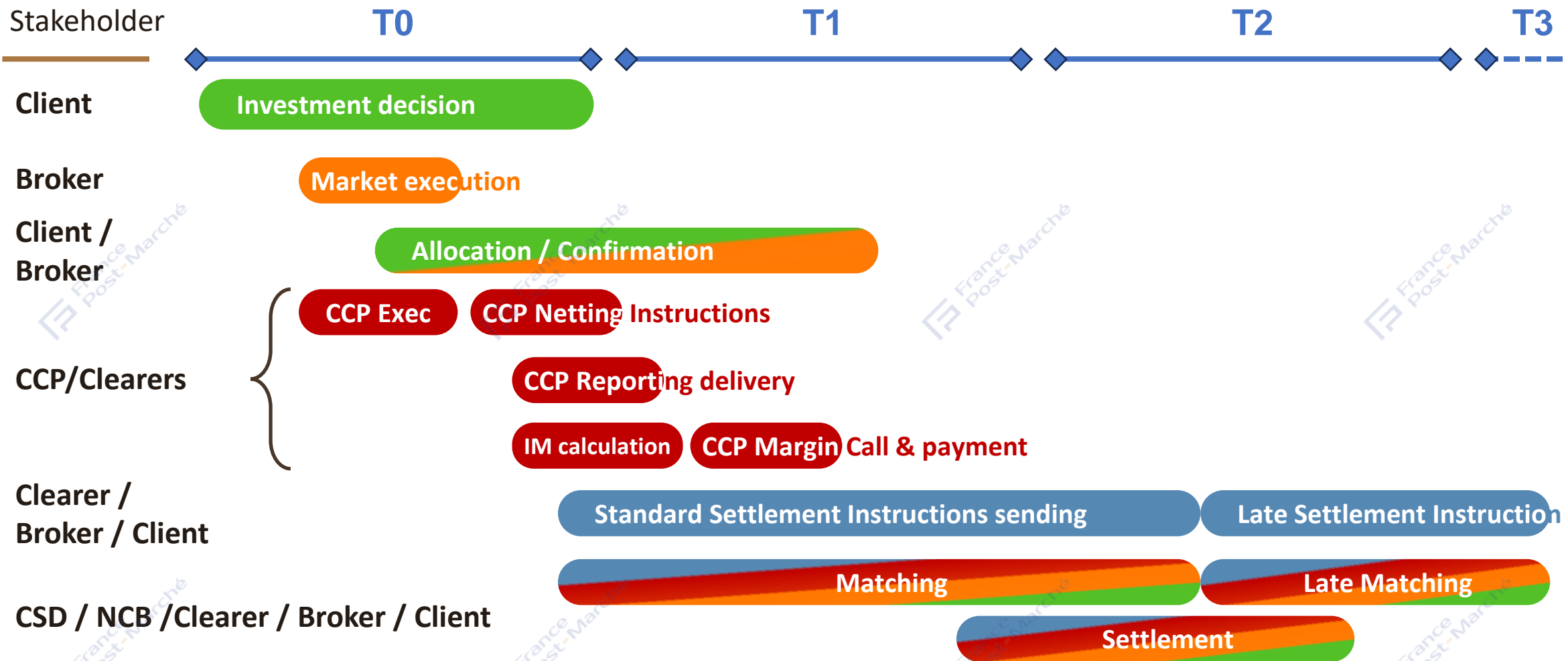




# Call for Evidence Appendix

# Daily routine<sup>1</sup> – Equity Market | Current process (T+2)

## Settlement & delivery life cycle



<sup>1</sup>Regular trading day, excluding buy-in process

# Daily routine<sup>1</sup> – Equity Market | Current process (T+2)

## Trade life cycle

Process	Description
Investment decision	The <b>Customer</b> sends an order to his <b>Broker</b>
Market execution	The <b>Broker</b> receives the order and sends it to the <b>Trading Venue</b>
Allocation / Confirmation	After the order is executed by the <b>Broker</b> , the <b>Client</b> and the <b>Broker</b> exchange all required information to define the settlement delivery details
CCP Exec	The <b>CCP</b> receives the <b>Trading Venue</b> execution, novates the trade, and sends a report to the <b>Broker</b> throughout the trading day.
CCP Netting Instruction	After reconciling with the trading venue, the <b>CCP</b> determines the nets to be settled and sends Settlement instructions to <b>Agents</b> and <b>CSD</b> in accordance with its rules (PoA, etc.)
CCP Reporting delivery	The <b>CCP</b> sends to the <b>Clearers</b> all of the end-of-day reports: Netting reports / Trade reports / Fail reports / Buy-in reports / Treasury reports, etc.
CCP Margin Call & payment	The <b>CCP</b> calculates its exposure on all open positions at T0 and determines the required margin calls. The initial margin call is sent overnight and must be paid on T+1 morning (07:00 – 09:00).
Standard Settlement Instructions transmission	All stakeholders send their Settlement instructions as soon as possible. The <b>Client</b> to the <b>Global Custodian</b> then the <b>Global Custodian</b> to <b>Local Custodian</b> . Idem from <b>Broker</b> to <b>Local Custodian</b> . The <b>Local Custodian</b> then sends it to the <b>CSD</b> . This communication is carried out in compliance with the necessary controls at each level, Option to send the instruction in Hold status, then Release. In the event of late transmission, this instruction will be considered “late” in the processes.
Matching / Late Matching	The instructions of both <b>parties</b> must be transmitted throughout the <b>custody chain</b> and reach the <b>CSD/T2S</b> level for matching. This status is then retransmitted back to the <b>chain of participants</b> . To enable settlement on correct SD, matching must be completed before a deadline at the <b>CSD/T2S</b> level. If the instructions are not transmitted on time to <b>CSD/T2S</b> , settlement will take place for the following day, hence the concept of late matching.
Settlement	If the instruction is released, settlement is performed for the intended Settlement day from ~08:00 pm SD-1 to 16:00 SD. Settlement is performed in full or partial quantity. Unsettled quantities are switched for settlement SD+1. Settlement statuses (full or partial) are sent back up the chain, from the <b>CSD</b> to the <b>Local Custodian</b> to the <b>Global Custodian</b> to the <b>Broker</b> to the <b>Client</b> .

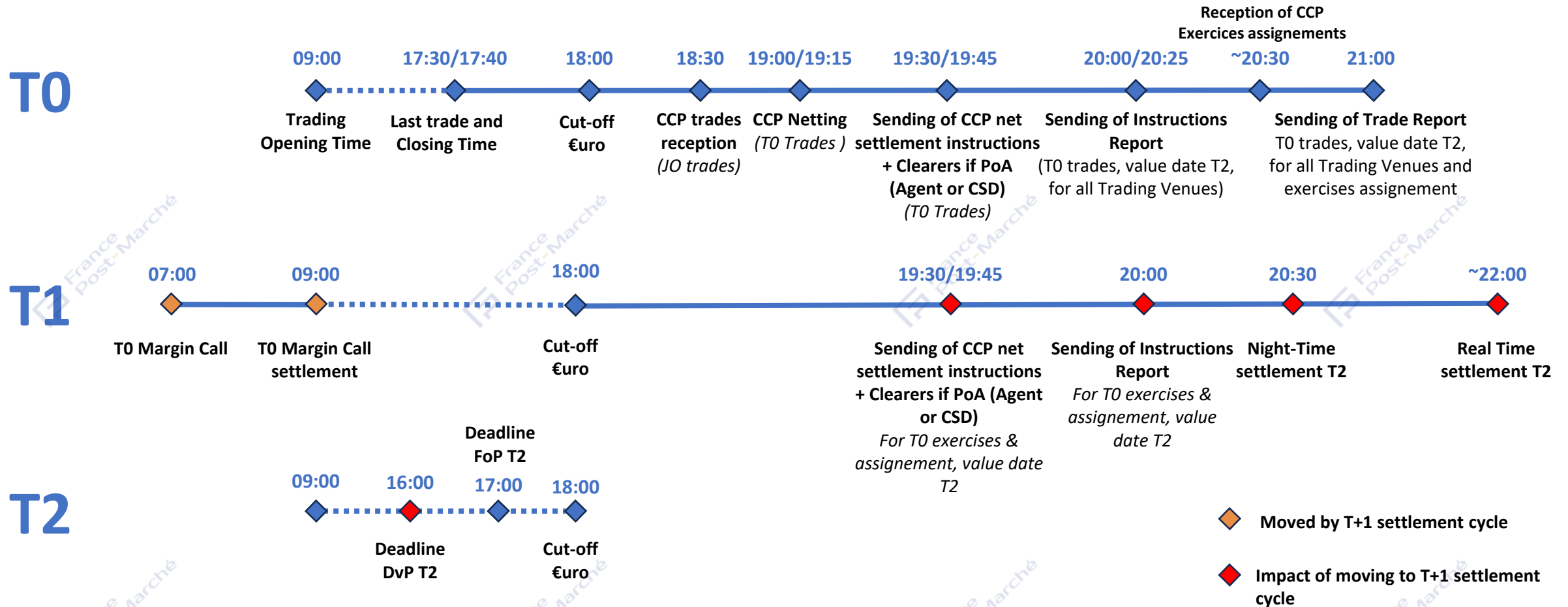
<sup>1</sup>Regular trading day, excluding buy-in process

A blue-tinted photograph of a classical building facade. The image features several large, fluted columns and a window with a decorative pediment. The text "Market Infrastructure process analysis" is overlaid in white on the left side of the image.

# Market Infrastructure process analysis

# Daily routine<sup>1</sup>– Equity market | Current process (T+2)

Intraday and Exec CCP transactions can be traded over the course of a single trading session  
 Sending of settlement instructions can occur during the settlement & delivery lifecycle

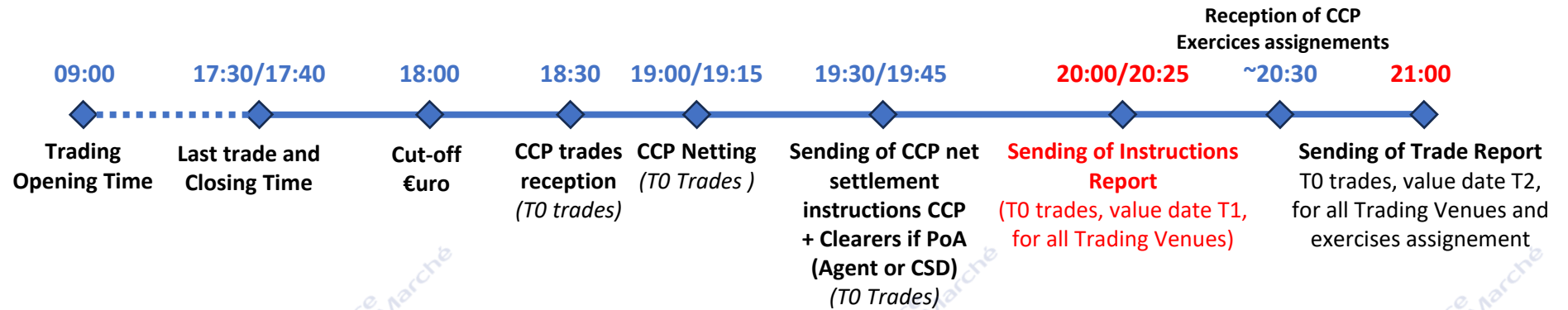


<sup>1</sup>Regular trading day, excluding buy-in process

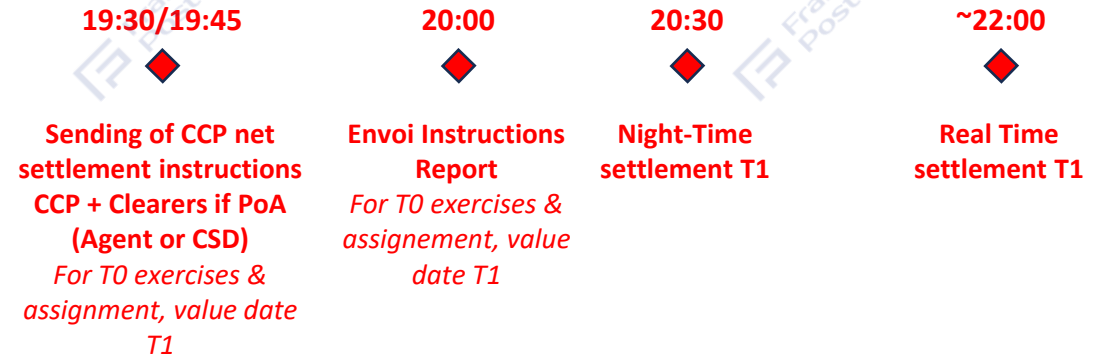
# Daily routine<sup>1</sup>– Equity market | Impacts of T+1

Intraday and Exec CCP transactions can be traded over the course of a single trading session  
 Sending of settlement instructions can occur during the settlement & delivery lifecycle

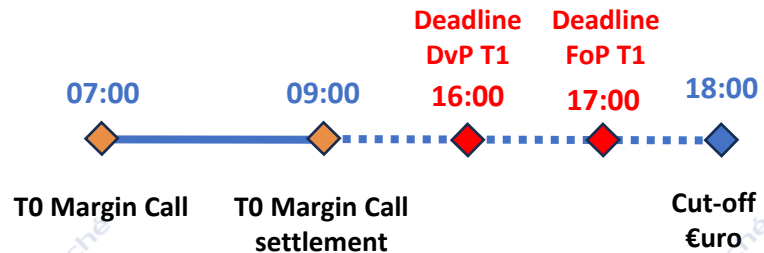
## T0



## Open points



## T1



<sup>1</sup>Regular trading day, excluding buy-in process

# Potential pain points of a move to T+1

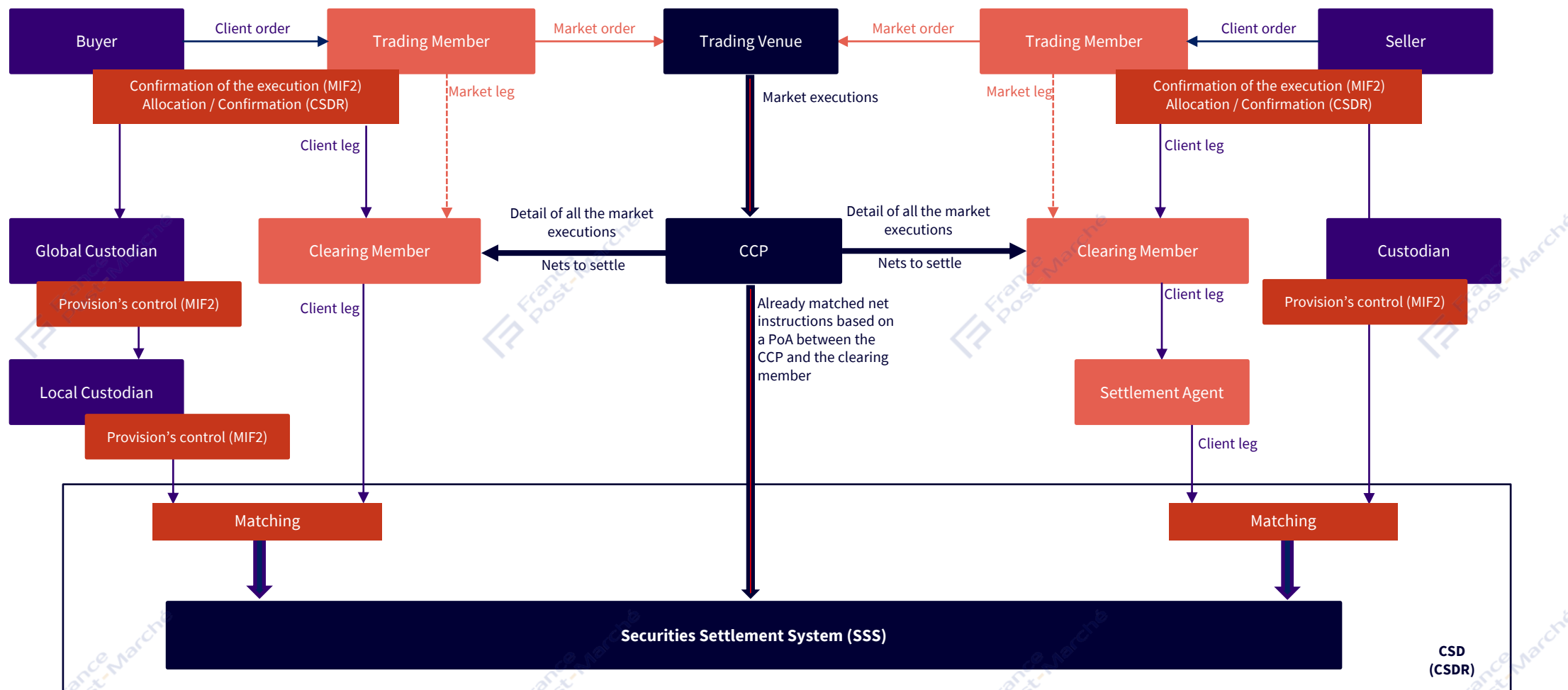
Subject	Topic	Rational
Margin Call	<b>Calculation and Margin Call time frame</b>	Margin calls are currently performed at 7am on the following day of the trade so that CCP are hedged until trades are settled. If transactions are settled overnight (before 7 am), margin call would be made on fully settled positions.
Cut Off Euro	<b>Euro ECB cut-off time to be redefined</b>	Margin calls would need to be performed on T0 evening, after ECB cut-off time, thus could not be settled exposing the CCP to a member defaulting.
Settlement Cycle T2S	<b>T2S settlement night batch to be adjusted (number and timeline)</b>	Current timeline of post trade processes conflicts with the start of night-time settlement process at 8.30pm.
Exercices & Assignements	<b>Receiving schedules for exercises &amp; assignments to be redefined</b>	Current reception window for exercises & assignments would not fit in a T+1 settlement cycle.

A blue-tinted photograph of a classical building facade. The image features several large, fluted columns and a window with a decorative pediment. The text "Intermediated Transaction process" is overlaid in white on the left side of the image.

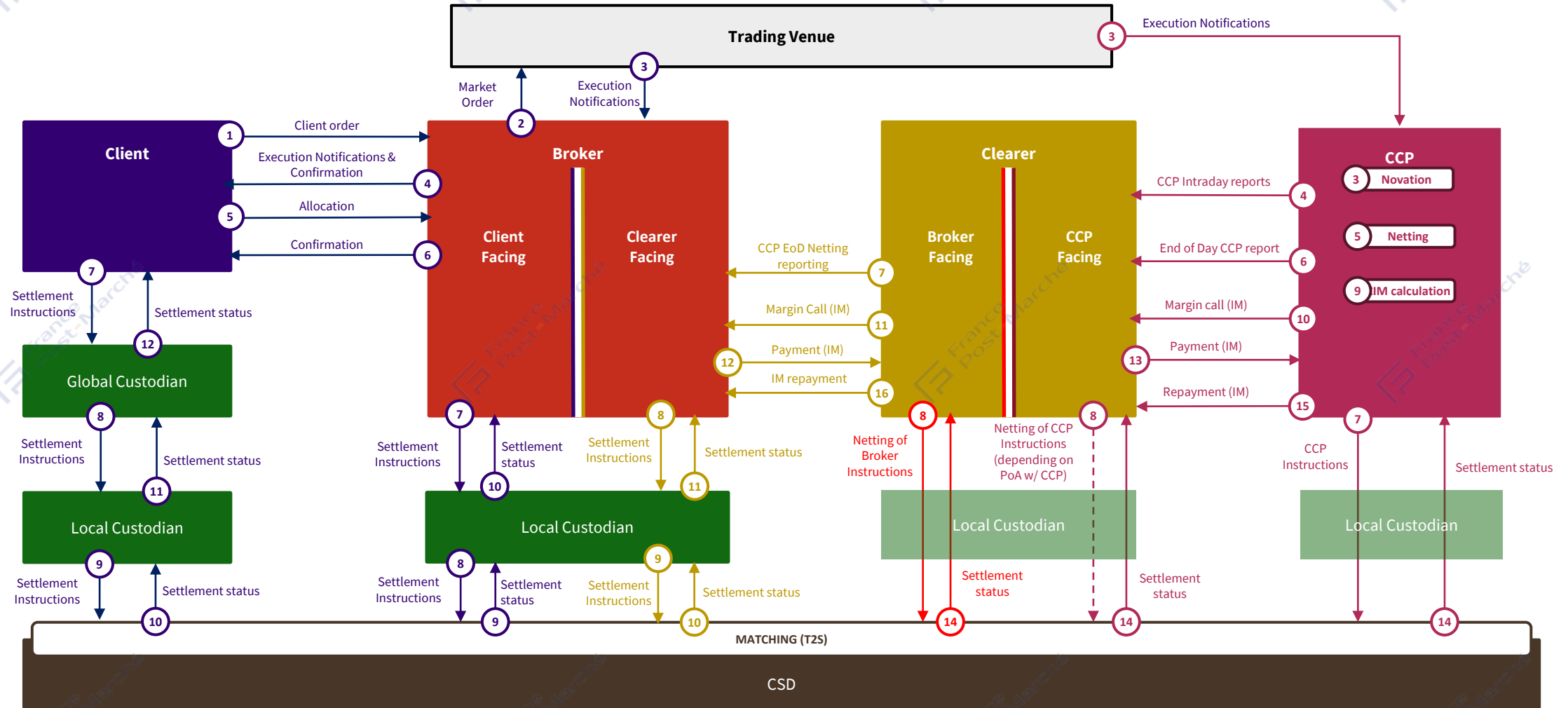
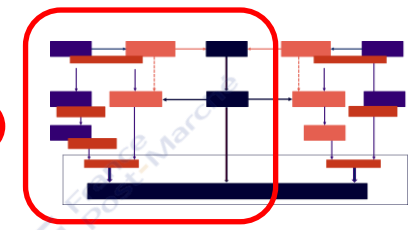
# Intermediated Transaction process



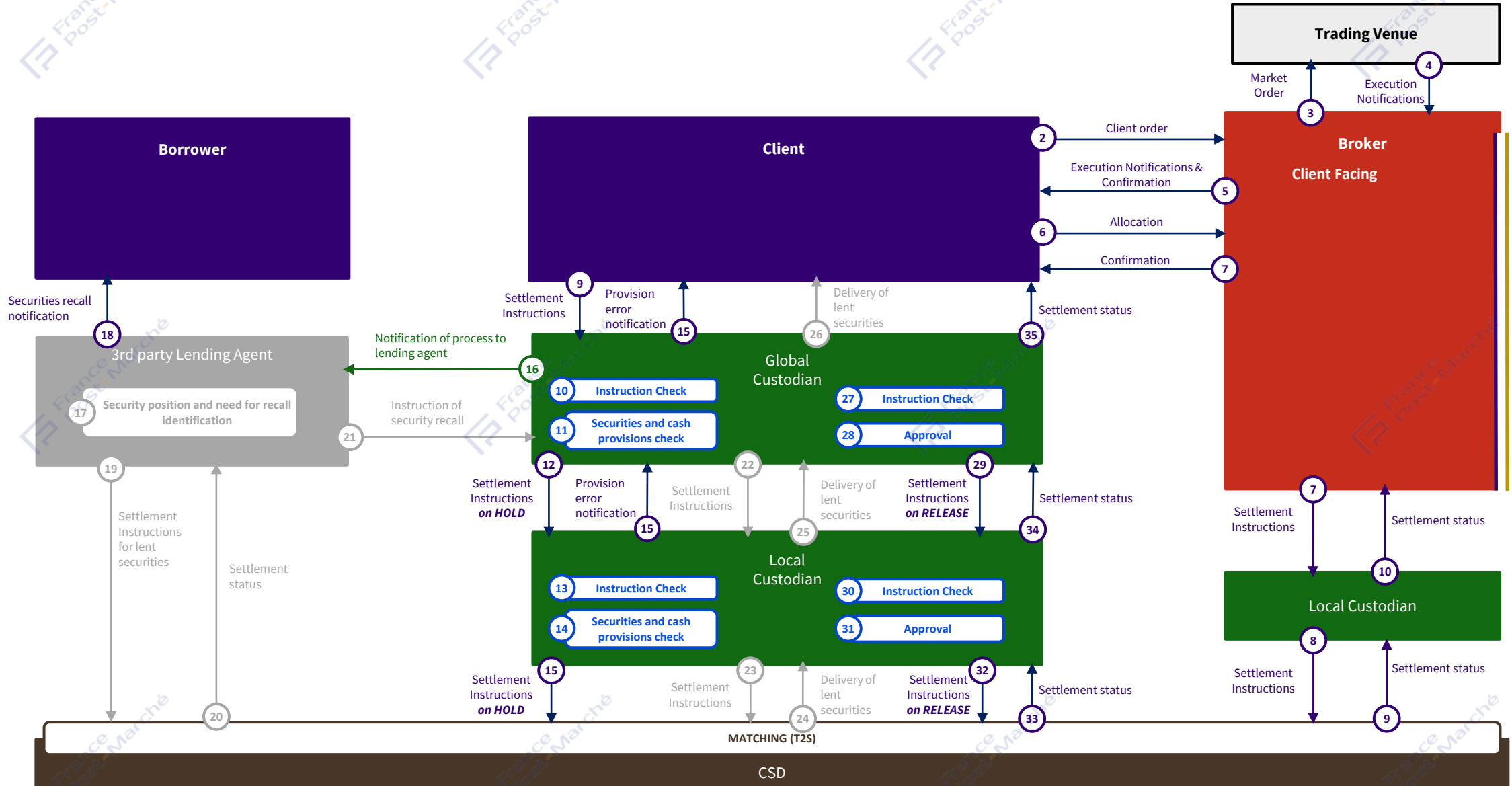
# Equity Market | Intermediated transaction process



# Equity Market | Transaction life cycle



# Equity Market | Case of lent out position



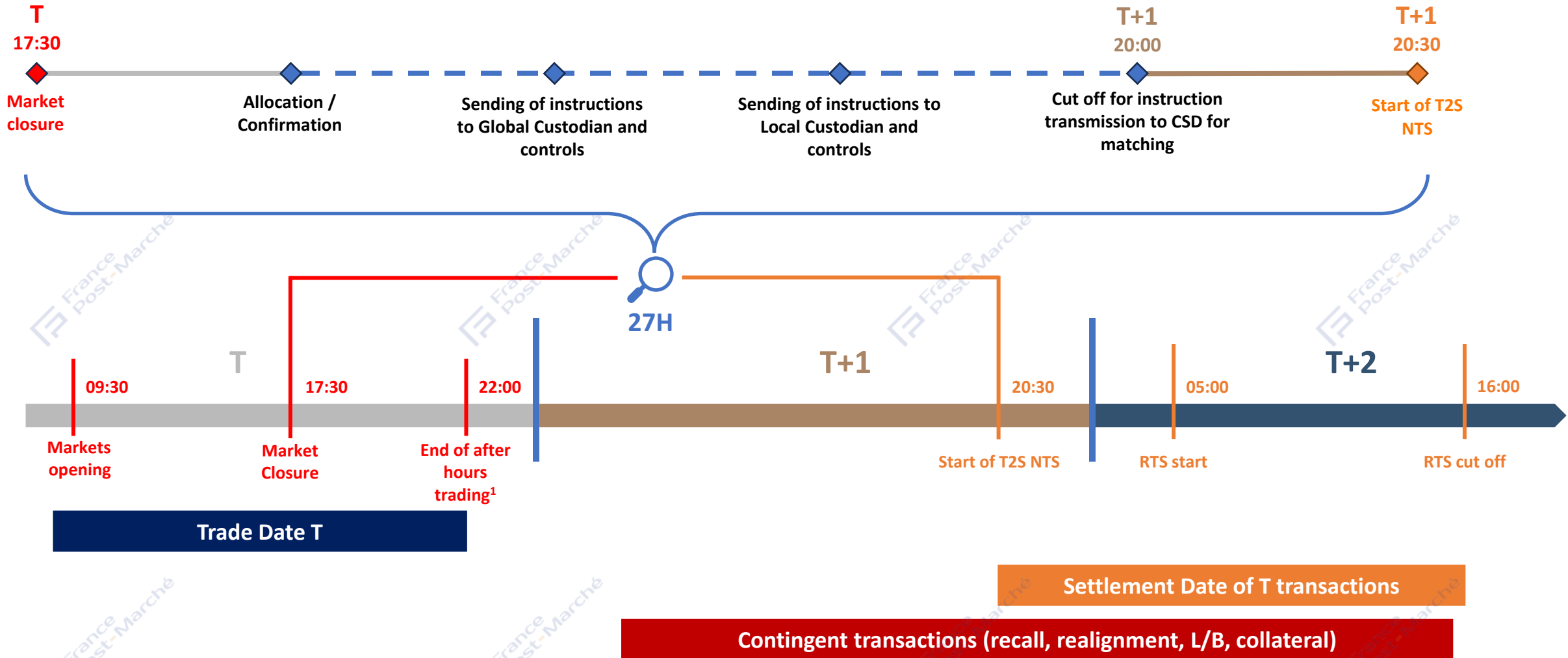
# Main hypothesis of the charts

*Below are stated the main hypothesis taken for representing equity transactions lifecycle in the slides above*

Category	Process	Hypothesis
Order	<ul style="list-style-type: none"> <li>- Standard order to broker</li> <li>- Can be Fix/Electronic or Voice</li> </ul>	
Broker execution on the market	Order is fulfilled with execution on X exchanges (MIFID/Best Execution), or via another broker, or via a Systematic Internaliser leading to clearing in one CCP or X CCP (possibility to use the Preferred CCP choice if possible)	<b>Executions fulfilled in one CCP for Clearing</b>
Allocation/Confirmation	<ul style="list-style-type: none"> <li>- The broker answers to its client, confirmation By order during the trading day Or by a Net Confirmation at the end of the day (average price) : preferred choice for Institutional clients</li> <li>- The client must give to the broker the allocation of the orders to its accounts/funds, the broker must send one confirmation by allocation. And The client must give to the broker the SSI of each allocation (data given at the opening of the account)</li> </ul>	<b>Only 1 allocation answered on confirmation = 1 settlement instruction between Client and Broker</b>
Broker / Clearer / CCP	<ul style="list-style-type: none"> <li>- Broker is cleared by a General Clearing member or himself (self-clearer),</li> <li>- General clearing member receives reports from CCP and reports to Broker EOD</li> <li>- Broker must check the executions with the CCP report/GCM</li> <li>- General clearing member is facing CCP for Settlement, and Broker is facing General clearing member for settlement</li> </ul>	<b>CCP – General Clearing Member - Broker set-up</b>
Custody Chain	<ul style="list-style-type: none"> <li>- Actors can be in custody using different structures : Global Custody, Local custody, Direct at CSD</li> <li>- Settlement instructions will follow the way account structure is designed, thru the custody chain               <ul style="list-style-type: none"> <li>▪ The broker sends its settlements instructions to its Custodian</li> <li>▪ The client sends its instruction to the global custodian</li> <li>▪ Following the custody chain, and controls applied, instructions will reach CSD for matching</li> <li>▪ The settlements is realized if controls are satisfied (ie broker and the client have securities or cash to settle)</li> </ul> </li> </ul>	<b>Investor is using a global custodian which is using a Local Custodian Broker is using a Local Custodian, all controls satisfied</b>
Securities lending / borrowing	<ul style="list-style-type: none"> <li>- Portfolio optimization is done by investor to enhance returns</li> <li>- Can be managed directly or through 3rd party agent</li> <li>- 3rd party agent can the be investors global or local custodian</li> </ul>	<b>Investor is using an external 3<sup>rd</sup> party agent</b>

# Timeline | Current Equity post trade process (T+2)

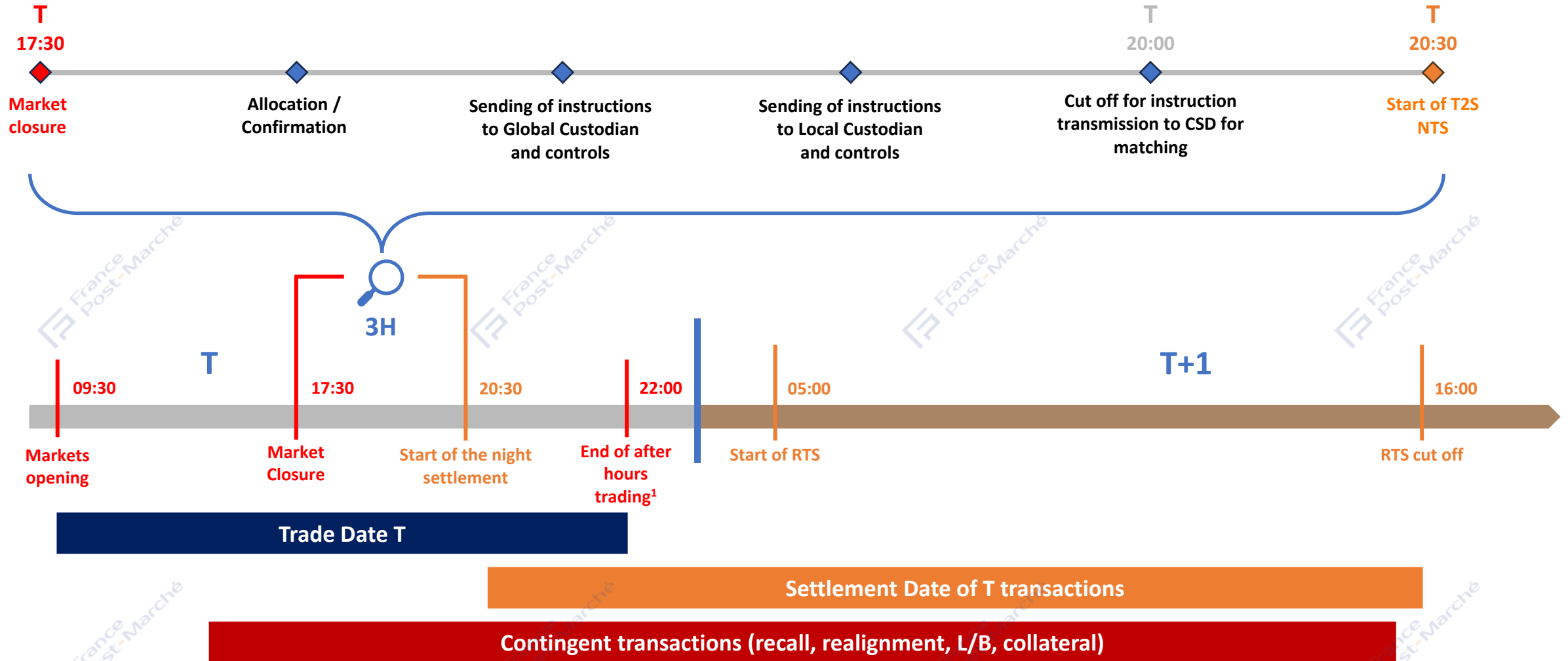
Standard settlement instruction process for transaction to be present at Night Settlement in T2S with transaction at T and settlement process at T+2



1. After hour trading window for some specific instruments (i.e warrants)

# Provisional Timeline | Equity post trade process (T+1)

*Provisional settlement instruction process for transaction to be present at Night Settlement in T2S with transaction at T and settlement process at T+1  
Compression of process to reach Night Time settlement should the market keep same organization and deadlines*



1. After hour trading window for some specific instruments (i.e warrants)

# Main identified impacts of T+1 on intermediated transactions process

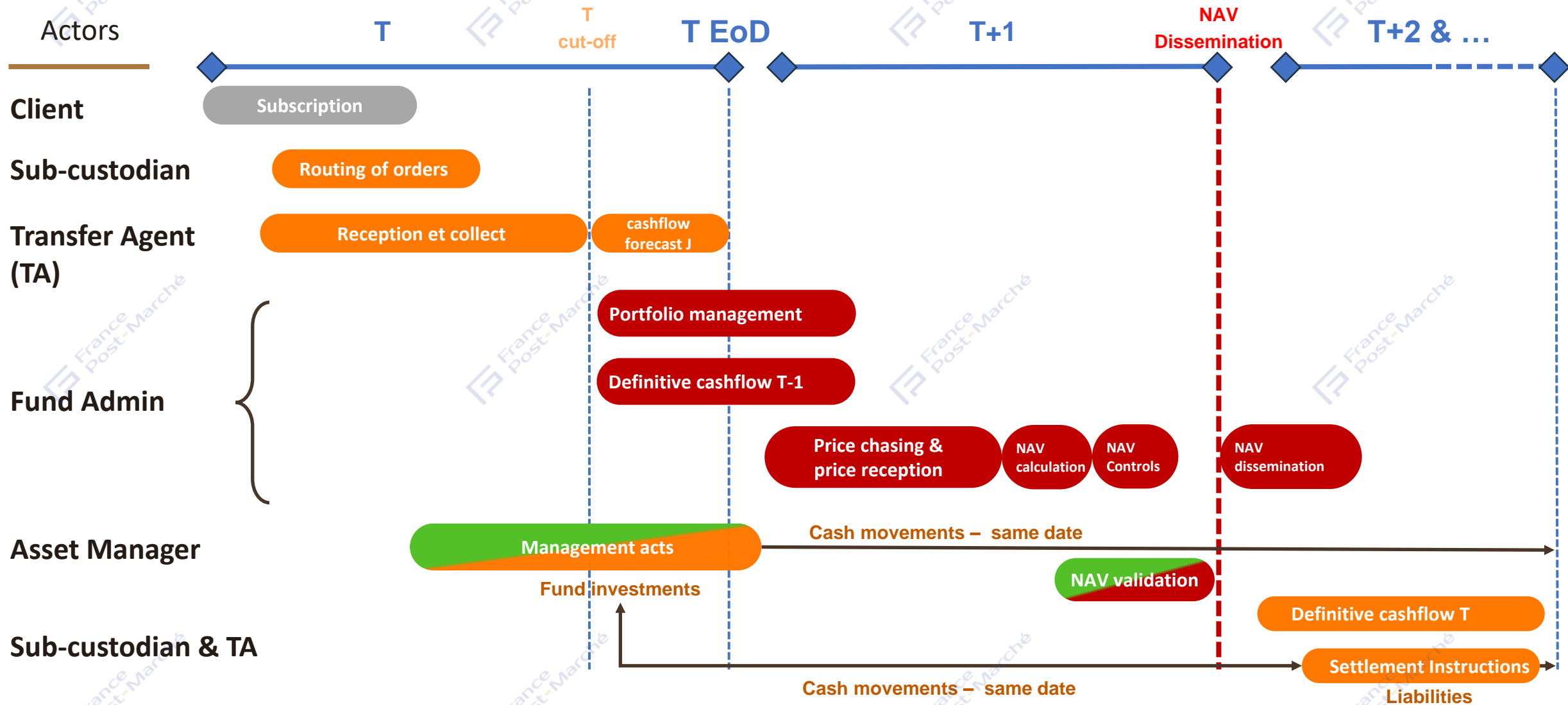
Process	Impacts
Allocation / Confirmation cut off	<ul style="list-style-type: none"><li>▪ Allocation / Confirmation process to be executed on compressed time after trade or market closure</li><li>▪ Suppose usage of automated and electronic means</li><li>▪ SSIs must be kept up to date and available through electronic means</li></ul>
Instructions through custody chain	<ul style="list-style-type: none"><li>▪ Instructions must be transmitted in the Custody chain as soon as possible on trade date</li></ul>
Clearer / Broker reconciliation	<ul style="list-style-type: none"><li>▪ Clearer and Broker reconciliation must be done at trade date</li><li>▪ In case CCP margin call are done at trade date, there should also be capability to reflect it back to client</li></ul>
Custodian / Sub-custodian controls and instructions	<ul style="list-style-type: none"><li>▪ Controls of instructions and Custodian and Sub Custodian must be executed on compressed time</li><li>▪ Instructions must be transmitted in the Custody chain as soon as possible on trade date after these controls using when appropriate HOLD function to allow accelerated matching process and RELEASE function when position/cash are available for settlement to start</li></ul>
Inventory management	<ul style="list-style-type: none"><li>▪ Securities in European Market being multi listed and multi deposited missing positions are usually are identified by Custodian during instructions controls, requiring realignment</li><li>▪ Because of shortened timeline would be mandatory for client (front office) to manage accurately their inventory of assets for realignment management and (when possible) anticipation mainly in short position cases</li></ul>
Security Lending / Collateral	<ul style="list-style-type: none"><li>▪ Process usually initiated by Custodian on behalf of the client</li><li>▪ Because of shortened timeline lent out securities would have to be identified directly by the client</li><li>▪ In case of a lent portfolio though a 3rd party agent or positions lent as collateral it would become mandatory to initiate all related actions as soon as possible toward the agent or to substitute collateral to require restitution of securities as to allow for settlement</li></ul>

A blue-tinted photograph of a classical building facade. The image features several large, fluted columns supporting a structure with a window and an arched doorway. The text "UCITS Process Analysis" is overlaid in white on the left side of the image.

# UCITS Process Analysis



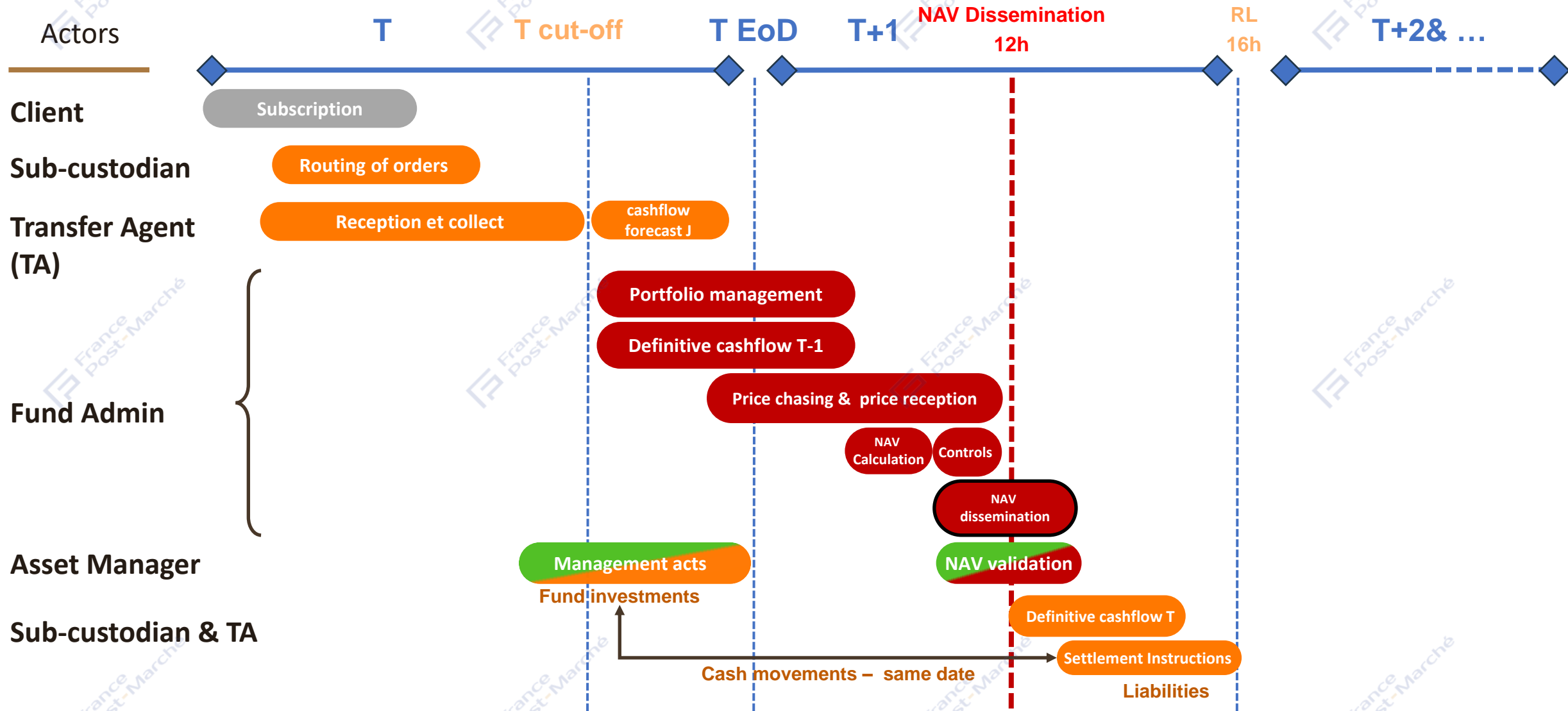
# Fund Liabilities Management | Current standard situation (Settlement T+2 or more)



# Fund Liabilities Management | Current standard situation (Settlement T+2 or more)

Actors	Process	Description
Investor	Subscription	The investor send the subscription to his sub-custodian
Sub-custodian	Routing of orders	The sub-custodian place the subscription order to the transfer agent
Transfer agent	Reception et collect / cashflow forecast J	The transfer agent collect the order until prospectus cut-off time and collect all subscriptions – redemptions. At fund cut-off, he sends the cashflow forecast to the asset manager
Asset manager	Management acts	The asset manager realizes the asset manager carries out its management actions according to the markets (1) Receives cashflow forecast from the Transfer Agent. He adjusts its investments according to the inflows received from the transfer agent (collect- decollect) (1) (1) All these tasks give rise to the transmission of instructions on the equity markets, as described in the diagram "Typical day1 - Equity markets".
Fund Admin	Portfolio management / NAV Calculation	The Fund Admin receives and records portfolio and liability movements (collection valued on T-1). Researches and receives all closing prices for all securities in the portfolios (including those received on T). Calculates NAV, including variable costs, swing pricing, various provisions, etc. Carries out controls, including securities and cash reconciliations Distributes calculated NAV to manager for validation before official dissemination.
Asset Manager	NAV validation	The Asset manager carries out its NAL checks and validates the NAV for dissemination.
Fund Admin	NAV dissemination	On receipt of the NAV dissemination, the Fun Admin distributes the official NAV to stakeholders and providers.
Transfer agent	Definitive cashflow T	On receipt of the official NAV, the transfer agent valorizes his books and sends to the asset manager and Fund Admin the definitive cashflow
The transfer agent & sub-custodian	Fund shares settlement instructions	The transfer agent realizes the settlement delivery versus payment (DVP) with all sub-custodians ( orders received at T)

# Fund Liabilities Management | Potential process in T+1 situation



# Fund Liabilities Management | Main identified impacts in T+1 situation

Actors	Process	Impacts
Investor	Subscription	-
Sub-custodian	Routing of orders	-
Transfer agent	Reception et collect / cashflow forecast J	-
Asset manager	Management acts	-
Fund Admin	Portfolio management / NAV Calculation	Receipt of prices cannot be anticipated before the end of the markets (T midnight). All of the following tasks need to be carried out on T+1 at the earliest, within a reduced timeframe (organization to be reviewed, tools to be opened, FTE presence, relocations (?), etc.). No flexibility to calculate NAV
Asset Manager	NAV validation	Need to control and validate the NAV earlier (organization to be reviewed, tools to be opened, FTE presence, relocations (?), ...) No flexibility for NAV correction
Fund Admin	<b>NAV dissemination</b>	<b>Task to be anticipated as soon as possible: maximum distribution of NAV on T+1 12h</b>
Transfer agent	Definitive cashflow T	Task to be anticipated as soon as possible: reception of the NAV on T+1 noon maximum for settlement T+1 4pm (if the asset manager wish an alignment between fund investment & liabilities management).
The transfer agent & sub-custodian	Fund shares settlement instructions	Task to be anticipated as soon as possible. New rules / settlement dates to be defined according to Asset manager wishes ( current settlement dates on liabilities management or alignment between fund investments and liabilities management). No more flexibility to manage the settlement instructions before T+1 4,00pm.