E&E Through Prematch– Market readiness for April 1 2019

Version X.X, Jan X, 2019

# Introduction

As of April 1st 2019 all equity settlement instructions originating from exercise & expiration (E&E) of single stock derivatives will be sent to Prematch at Euroclear Sweden. Today such settlement instructions are sent directly to the AM Sub Market

Also the current event code for E&E will not be used after April 1st 2019 instead the event
code will be FM as the settlement instructions will be sent to Prematch

During discussions at the Swedish Securities Dealers Association´s (SSDA´s) Clearinggroupmembers expressed a need to be able to test exercise & expiration flows through Prematch specifically with regards to matching criteria – this as the matching criteria differs between Prematch and the AM Sub Market. Failure to have correct matching details towards counterparties can result in a high number of matching fails across the market. Matching criteria for settlement instructions in Prematch can be found in the SSDAs Market Practice - The Swedish Securities Dealers Association's Rules governing trading and  settlement of transactions in Securities – on the SSDA´s website http://www.fondhandlarna.se

As a result of above Nasdaq Clearing will enable Nasdaq Clearing Members to test the exercise & expiration flow via Prematch during 2 weeks starting mid February 2019. Details on test scenarios, test systems to be used and how to participate can be found in this document.

## Background

The clearing group within the SSDA has decided that all exercise and expiration flows should go through Prematch rather than AM starting April 1st 2019.

The change will bring about several benefits such as

* Increased control of exercise transactions for Custodian and ability to differentiate settlement instructions between Custodian Clients
* Possibility to segregate house and client flows
* Aligning settlement processing for exercise and expiration flow with upcoming changes within Euroclear Sweden CSDR project

# Contents

[1 Introduction 2](#_Toc536530354)

[1.1 Background 2](#_Toc536530355)

[2 Contents 3](#_Toc536530356)

[3 Document Data 3](#_Toc536530357)

[3.1 Objective 3](#_Toc536530358)

[3.2 Audience 3](#_Toc536530359)

[3.3 Glossary and Definitions 3](#_Toc536530360)

[3.4 Scope 4](#_Toc536530361)

[4 Test system 4](#_Toc536530362)

[5 Testcases and schedule 4](#_Toc536530363)

[6 Test period and Events 4](#_Toc536530364)

[7 Nasdaq matching details - **Test** 5](#_Toc536530365)

[8 Matching rules – SSDA Market Practice 5](#_Toc536530366)

[9 Member actions 6](#_Toc536530367)

[10 Nasdaq Contact person 6](#_Toc536530368)

[Appendix 1 – Form for test participation **Custodian** 7](#_Toc536530369)

[Appendix 2 – Form for test participation **Direct Clearing Member in Euroclear Sweden** 8](#_Toc536530370)

# Document Data

## Objective

The objective with this document is to outline how Nasdaq Clearing Members can test settlement instructions related to exercise & expiration through Prematch vs Nasdaq Clearing.

## Audience

The intended audience for this document are members of Nasdaq Clearing

## Glossary and Definitions

|  |  |
| --- | --- |
| Abbreviation | Description |
| ACPT | Euroclear Sweden test system  |
| ESW | Euroclear Sweden |
| E&E  | Exercise and Expiration |
| Genium INET | Nasdaq Clearings clearing system |

## Scope

Testing will be scenario based and limited with aim to verify matching and settlement of settlement instructions in the VPC System. Nasdaq Clearing will of course consider members request for ad-hoc tests outside of the scenarios below on a case-by-case basis.

Members who wishes to test exercise & expiration settlement instructions through Prematch should notify Nasdaq Clearing by sending in the forms in appendix 1 (if Custodian) or appendix 2 (if Direct Clearing Member of Euroclear Sweden).

# Test system

Nasdaq Clearing will generate settlement instructions for members using an internal Genium INET test system – Nasdaq Clearing will therefore enter trades and request exercise on behalf for members in Genium INET to generate settlement instructions in Prematch.

The ACPT environment at ESW will be used to test exercise & expiration flows in Prematch. Members should utilize their internal system/ESW User Interface to enter and match instructions.

# Testcases and schedule

Week 1 2019-02-12 – 2019-02-18

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Option Series | Position | Member A (+ , Receive vs payment) | Member B (-, Deliver vs payment) | Exercise request on date | Settlement date |
| ERICB9C38 | 30 | +3000 ERICB @ 38 | -3000 ERICB @ 38 | 2019-02-12 | 2019-02-14 |
| ERICB9C42 | 25 | +2500 ERICB @42 | -2500 ERICB @42 | 2019-02-13 | 2019-02-15 |
| ERICB9C46 | 20 | +2000 ERICB @46 | -2000 ERICB @46 | 2019-02-14 | 2019-02-18 |

Week 2 2019-02-19 – 2019-02-25

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Option Series | Position | Member A (+ , Receive vs payment) | Member B (-, Deliver vs payment) | Exercise request on date | Settlement date |
| ATCOA9C150 | 20 | +2000 ATCOA @ 150 | -2000 ATCOA @ 150 | 2019-02-19 | 2019-02-21 |
| ATCOA9C155 | 25 | +2500 ATCOA @155 | -2500 ATCOA @155 | 2019-02-20 | 2019-02-22 |
| ATCOA9C160 | 30 | +3000 ATCOA @160 | -3000 ATCOA @160 | 2019-02-21 | 2019-02-25 |

# Test period and Events

The testing period is scheduled between Feb 12th and Feb 26th.

During 18th and 25th of February Genium INET will be closed for maintenance meaning no settlement instructions can be generated from Genium INET on those dates but any already existing settlement instruction will be possible to view and match in ESW ACPT environment.

# Nasdaq matching details - **Test[[1]](#footnote-2)**

|  |  |
| --- | --- |
| DEAG/REAG | BUYR/SELL |
| OMECSES0NOC | OMECSES0NOC |

# Matching rules – SSDA Market Practice

The following matching rules apply according to the SSDA market practice and will be implemented by Nasdaq Clearing to match towards members.

**Please note** that the field BUYR/SELL is an additional matching criteria in Prematch, this is an important difference between the current E&E flow through AM subsystem and the E&E flow post April 1st.

Custodian Client matching CCP (Clearing Member) Trade

|  |  |
| --- | --- |
| Custodian Client | CCP |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | HANDSESSXXX | - | - | CCPABCDEXXX | SENDER |
| :95P::REAG// | CCPABCDEXXX | C/P Clearing member | C/P Clearing member | HANDSESSXXX | :95P::DEAG// |
| :95a::BUYR// | CCPABCDEXXX | Customer ref, C/P | Customer ref, C/P | SHBCLIENTXX | :95a::SELL// |
| :95a::SELL// | SHBCLIENTXX | Customer ref, Own | Customer ref, Own | CCPABCDEXXX | :95a::BUYR// |

Broker (Clearing Member) Trade matching CCP (Clearing Member) Trade

|  |  |
| --- | --- |
| Broker | CCP |
| MT543 - Deliver | BIC | ES | ES | BIC | MT541 - Receive |
| SENDER | BROKERBBXXX | - | - | CCPABCDEXXX | SENDER |
| :95P::REAG// | CCPABCDEXXX | C/P Clearing member | C/P Clearing member | BROKERBBXXX | :95P::DEAG// |
| :95a::BUYR// | CCPABCDEXXX | Customer ref, C/P | Customer ref, C/P | BROKERBBXXX | :95a::SELL// |
| :95a::SELL// | BROKERBBXXX | Customer ref, Own | Customer ref, Own | CCPABCDEXXX | :95a::BUYR// |

# Member actions

Notify Nasdaq if you would like to participate in the testing by submitting the form specified in the appendix 1 and 2.

* For **Custodian** please use [**appendix 1**](#_Appendix_1_–)
* For **Direct Clearing Member** in Euroclear Sweden please use [**appendix 2**](#_Appendix_2_–)

The deadline for submitting the forms is Feb 7th, please send the form to Clearing@nasdaq.com

# Nasdaq Contact person

For questions please send email to

* Lars.porad@nasdaq.com
* Clearing@nasdaq.com

# Appendix 1 – Form for test participation **Custodian**

**Please provide one form for each custodian client who should be included in the test scenario.**

|  |  |
| --- | --- |
| Member name (Custodian Client/Clearing Member) | Click or tap here to enter text. |
| Member BIC(Custodian Client/Clearing Member)  | Click or tap here to enter text. |
| Participant ID (Custodian Client/Clearing Member) | Click or tap here to enter text. |
| Member name (Custodian) | Click or tap here to enter text. |
| Member BIC(Custodian | Click or tap here to enter text. |
| Participant ID (Custodian) | Click or tap here to enter text. |
| Contact person/group | Click or tap here to enter text. |
| E-Mail | Click or tap here to enter text. |
| Phone | Click or tap here to enter text. |
| We would like to test the following scenarios (please only select either Receive or Deliver vs Payment) |
| Option Series | Position | Checkoption | Member A (+ , Receive vs payment) | Checkoption | Member B (-, Deliver vs payment) | Exercise request on date | Settlement date |
| ERICB9C38 | 30 |[ ]  +3000 ERICB @ 38 |[ ]  -3000 ERICB @ 38 | 2019-02-12 | 2019-02-14 |
| ERICB9C42 | 25 |[ ]  +2500 ERICB @42 |[ ]  -2500 ERICB @42 | 2019-02-13 | 2019-02-15 |
| ERICB9C46 | 20 |[ ]  +2000 ERICB @46 |[ ]  -2000 ERICB @46 | 2019-02-14 | 2019-02-18 |
| ATCOA9C150 | 20 |[ ]  +2000 ATCOA @ 150 |[ ]  -2000 ATCOA @ 150 | 2019-02-19 | 2019-02-21 |
| ATCOA9C155 | 25 |[ ]  +2500 ATCOA @155 |[ ]  -2500 ATCOA @155 | 2019-02-20 | 2019-02-22 |
| ATCOA9C160 | 30 |[ ]  +3000 ATCOA @160 |[ ]  -3000 ATCOA @160 | 2019-02-21 | 2019-02-25 |

Please copy and paste above and send it to clearing@nasdaq.com

# Appendix 2 – Form for test participation **Direct Clearing Member in Euroclear Sweden**

|  |  |
| --- | --- |
| Member name (Broker/Clearing Member) | Click or tap here to enter text. |
| Member BIC(Broker/Clearing Member) | Click or tap here to enter text. |
| Participant ID (Broker/Clearing Member) | Click or tap here to enter text. |
| Contact person/group | Click or tap here to enter text. |
| E-Mail | Click or tap here to enter text. |
| Phone | Click or tap here to enter text. |
| We would like to test the following scenarios (please only select either Receive or Deliver vs Payment) |
| Option Series | Position | Checkoption | Member A (+ , Receive vs payment) | Checkoption | Member B (-, Deliver vs payment) | Exercise request on date | Settlement date |
| ERICB9C38 | 30 |[ ]  +3000 ERICB @ 38 |[ ]  -3000 ERICB @ 38 | 2019-02-12 | 2019-02-14 |
| ERICB9C42 | 25 |[ ]  +2500 ERICB @42 |[ ]  -2500 ERICB @42 | 2019-02-13 | 2019-02-15 |
| ERICB9C46 | 20 |[ ]  +2000 ERICB @46 |[ ]  -2000 ERICB @46 | 2019-02-14 | 2019-02-18 |
| ATCOA9C150 | 20 |[ ]  +2000 ATCOA @ 150 |[ ]  -2000 ATCOA @ 150 | 2019-02-19 | 2019-02-21 |
| ATCOA9C155 | 25 |[ ]  +2500 ATCOA @155 |[ ]  -2500 ATCOA @155 | 2019-02-20 | 2019-02-22 |
| ATCOA9C160 | 30 |[ ]  +3000 ATCOA @160 |[ ]  -3000 ATCOA @160 | 2019-02-21 | 2019-02-25 |

Please copy and paste above and send it to clearing@nasdaq.com

1. Nasdaq matching details in prod is DEAG/REAG: OMECSESSNOC  BUYR/SELL: OMECSESSNOC  [↑](#footnote-ref-2)