



**e-MID settlement in TARGET2
User guide**

*Rel. 1.3
August 2008*

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1. Introduction

1.1. *About this guide*

The document contains the description of the e-MID settlement in the TARGET2 Single Shared Platform, which has been added to the settlement systems already in use, to guarantee the possibility of sending the e-MID settlement instructions to the new European platform.

1.2. *Structure*

The document consists of three main parts:

- **INTRODUCTION** (this part)
- **THE E-MID ELECTRONIC MARKET** – describes the “e-MID - Electronic Money Market” main features, how its trading and pre-settlement systems work and also describes the message flow between the e-MID pre-settlement system (e-MIDRgC) and SSP.
- **MESSAGES** – contains technical information about the messages sent by the pre-settlement system.

2. The e-MID electronic market

2.1. Overview

The e-MID electronic market is based on two main parts: the trading system and the pre-settlement system.

- The trading system is a quotation driven environment supporting the dealing of interbank deposits. All the market participants are allowed to make buy and sell proposals; the trading system is in charge of disseminating all the active proposals and showing them on the treasurer's workstations. Orders can be issued against proposals; the system is in charge of routing each order to the right counterparty; selling counterparty can refuse incoming orders. Executed contracts, including counterparties conditions and amount, are sent to the pre-settlement system.
- The pre-settlement system - **e-MIDRgC** - schedules the payments according to both the funding and the paying back dates of each contract.

The trading system is based on a distributed IT architecture providing a central trading system with peripheral trading systems connected to it. The central trading system is located at the SIASSB premises and the peripheral trading systems (market workstations) are located at customer's premises.

The e-MIDRgC is based on a real time gross settlement model and supports settlement of cross-border deals. A centralised application prepares settlement transactions including accrued interest and invoiced amounts; also it schedules the payments according to both the funding and the paying back dates of each contract.

The e-MIDRgC interfaces the TARGET 2 settlement system.

TARGET2 Single Shared Platform (SSP) is used when both the banks involved in the payment settle via TARGET2 system; e-MIDRgC acts as an Ancillary System of the country National Bank of the e-MID members so it is authorized to send messages directly to the SSP Payment Module.

According to the TARGET2 participants rules, e-MID supports both direct and indirect settlement members; direct members settle their own contracts, indirect members settle through a clearing bank, named "Settlement Agent", that must be a direct member.

The e-MIDRgC supports its settlement models also for the members who settle via TARGET2 with the new settlement interface:

- **automatic settlement** – The *automatic settlement model* is used when both the banks involved in the payment settle via the TARGET2 system (SSP). e-MIDRgC, as Ancillary System, sends directly payment orders on behalf of the bank that has to pay. The settlement instructions are sent in the payment date.
- **manual settlement** – e-MIDRgC sends notices in the trade execution date to the RTGS Gateway of the banks who have to forward the payments by her own.

3. Messages

The interaction between the e-MIDRgC and the RTGS gateway is via the S.W.I.F.T. network. The S.W.I.F.T. “**MT 320**” message is used to send information from e-MIDRgC to RTGS Gateways; it is an optional message which could be sent to the direct member also for third party trades.

The MT320 message has been updated as follows:

- Sub-Sequence H (TAG 72) – added the new info “Product” (the traded type of Deposit)
- Sub-Sequences C and D (TAG 56J) – added the new info “Intermediary Bank” into the Option J.

(see details below).

3.1. Message 320

Sender e-MID SWIFT code
 Message type 320
 Receiver Receiving bank SWIFT code

Intermediary will not receive MT320.

MT 320 Fixed Loan/Deposit Confirmation

	Tag	Field name		Trade / Loan date	Maturity Date
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Mandatory Sequence A General Information

M	15A	New Sequence	(CrLf)		
M	20	Sender's Reference	16x	EMID-nnnnnnn n..n = progressive	EMID-nnnnnnn n.n = progressive
O	21	Related reference	16x	Not used	Contract Number
M	22A	Type of Operation	4!c	NEWT	NEWT
O	94A	Scope of operation	4!c	AGNT	AGNT
M	22B	Type of event	4!c	CONF	MATU
M	22C	Common reference	4!a2!c4!n4!a2!c	(bank code 1) (location code 1) (reference code) (bank code 2) (location code 2)	(bank code 1) (location code 1) (reference code) (bank code 2) (location code 2)
O	21N	Contract Number party A	16x	Contract Number	Contract Number
O	82A	Party A	4!a2a2c[3!c]	Sender bank SWIFT code	Sender bank swift code
O	87A	Party B	4!a2a2c[3!c]	Receiving bank SWIFT code	Receiving bank swift code

Mandatory sequence B Transaction Details

M	15B	New Sequence	(CrLf)		
M	17R	Party A's Role	1!a	If Party A is debtor "L". If Party A is creditor "B" (The analysis of role is effected in comparison with the loan)	If Party A is debtor "L". If Party A is creditor "B"
M	30T	Trade date	8!n	Trade date	Trade date
M	30V	Value date	8!n	Value date	Value date
M	30P	Maturity date	8!n	Maturity date	Maturity date
M	32B	Currency and principal amount	3!a15d	Currency and principal amount	Currency and principal amount
O	32H	Amount to be settled	[N]3!a15d	Not used	Sign and Currency and amount to be settled ----- IF 17R ="L " Sign = "N"
O	30X	Next interest Due date	8!n	Maturity date	Not used
M	34E	Currency and interest amount	N3!a15d	Currency and interest amount	Currency and interest amount
M	37G	Interest rate	N12d	Interest rate	Interest rate
M	14D	Day count fraction	7x	"ACT/360"	"ACT/360"

Mandatory sequence C Settlement instructions for amounts payable by Party A

M	15C	New Sequence	(CrLf)		
O	56J	Intermediary ¹	5*40x Two lines are mandatory: /NAME/34x /ABIC/4!a2!a2!c[3!c] or 4!a	Description and BIC code of the first Intermediary institution for the transfer of the funds (or "UKWN" if BIC not known)	Description and BIC code of the first Intermediary institution for the transfer of the funds (or "UKWN" if BIC not known)
M	57A	Receiving Agent	4!a2a2c[3!c]	Swift code where Party B wants to receive the funds	Swift code where Party B wants to receive the funds

Mandatory sequence D Settlement instructions for amounts payable by Party B

M	15D	New Sequence	(CrLf)		
O	56J	Intermediary	5*40x Two lines are mandatory: /NAME/34x /ABIC/4!a2!a2!c[3!c] or 4!a	Description and BIC code of the first Intermediary institution for the transfer of the funds (or "UKWN" if BIC not known)	Description and BIC code of the first Intermediary institution for the transfer of the funds (or "UKWN" if BIC not known)
M	57A	Receiving Agent	4!a2a2c[3!c]	Swift code where Party A wants to receive the funds	Swift code where Party A wants to receive the funds

¹ The TAG Intermediary will be empty when MT 320 (trade notification or value date settlement notification) refers to trades settled automatically.

Optional sequence H Additional Information

M	15H	New Sequence	(CrLf)		
O	24D	Dealing method	4!c/35x]	BROK/EMID	BROK/EMID
O	72	Sender to Receiver info	6*35x	<p>The first line has the following format: /8c/[additional information]</p> <p>Where: 8C=STLMTYPE additional information= MANUAL AUT09.00 AUT11.30 AUTREALTIME²</p> <p>The second line has the following format: /8c/[additional information]</p> <p>Where: 8C=PRODUCT additional information= ON TN SN 1W 2W 1M 2M 3M 4M 5M 6M 7M 8M 9M 10M 11M 1Y BD</p>	<p>The first line has the following format: /8c/[additional information]</p> <p>Where: 8C=STLMTYPE additional information= MANUAL AUT09.00 AUT11.30</p> <p>The first line has the following format: /8c/[additional information]</p> <p>Where: 8C=PRODUCT additional information= ON TN SN 1W 2W 1M 2M 3M 4M 5M 6M 7M 8M 9M 10M 11M 1Y BD</p>

² The information AUTREALTIME will appear only when MT 320 (trade notification or value date settlement notification) refers to Overnight or Broken date (with ON value date) trades, settled automatically.

4. Related documents

- [1] e-MID RTGS Gateway User Guide
15 June 2001
- [2] e-MID settlement in TARGET2 User guide (v. 1.2)
January 2008

5. Glossary of Terms

e-MID	Electronic Market for Interbank Deposits
RTGS	Real Time Gross Settlement system
TARGET	Trans-European Automated Real Time Gross Settlement Express Transfer
SSP	Target2 - Single Shared Platform
Intermediary Bank	The first Intermediary institution for the transfer of the funds

End document