ISDA Operations Committee
Process Working Group

- Drive Process Efficiency
- Standardise Operational Practice
- Evolve 'Best Practice' Standards
- Influence Market Development / Technological Change

Best Practice Statement:
Standard Settlement Instructions

Purpose

The purpose of this Best Practice Statement is to outline guidelines for the submission, processing and validation of Standard Settlement Instructions (SSIs).

Current State

- There are currently no market practice guidelines for submission, processing and validation of Standard Settlement Instructions available to the industry for OTC derivatives.

- It is generally recognised that a number of methods are currently used across the industry to communicate either new SSIs or a change of SSIs. The most widely used methods are SWIFT, e-mail and fax. Less frequent communication vehicles are telex and post.

- A variety of templates and formats are used to communicate new SSIs or changes in SSIs, and it is widely accepted that the content can be incomplete or unclear, which impacts validation.

- There is a need to identify clear notification points when submitting SSI changes. SSIs notices may be misdirected, particularly within larger organisations, or be delayed.

- It is recognised that notification periods to action SSI change vary widely within the industry. The 2002 ISDA Master Agreement specifies notification to change account details should be submitted at least five Local Business Days prior to the relevant Payment Date. It is accepted that, for many larger organisations, this may not be sufficient time to effect changes to systems.

Capitalised terms have the meaning given to them in the relevant ISDA definitional booklet.

The precise documentation of each Transaction remains the responsibility of the parties concerned. ISDA assumes no responsibility for any use to which this Best Practice Statement may be put.

Each party following the recommendations contained in this Best Practice Statement should satisfy itself that those recommendations are appropriate to reflect the commercial intentions of the parties.

- It is widely accepted that lack of standardisation in SSI communication and validation is a contributory factor to nostro breaks.

- The ISDA Operations Process Group has sought to establish market consensus on best practice to assist the efficient and orderly management of the post settlements function. It should be noted however, that these guidelines are voluntary and parties are free to agree bilateral arrangements which best suit their circumstances.

Commentary

- **Communication method**

The below communication methods are accepted market practice for advising new or amended SSIs. The communication methods fall into two categories, those that are authenticated and those that require authentification.

An unauthenticated method requires the recipient to perform a validation exercise as a control prior to updating SSI static data internally. The validation exercise is covered in more detail under "Validation."

Authenticated method

S.W.I.F.T — Authenticated templates – MT 199 and MT 299 message type. For greater transparency, add a unique name in the title of the template, i.e.:
Field 20: "OTC Deriv SSI"
Field 79: "ATTN: OTC Derivatives Department"
(See appendix 2)

Unauthenticated methods

The below methods need to be authenticated by the remitter, the recipient or both.

S.W.I.F.T — Unauthenticated templates- MT 094 message type which is commonly utilised for S.W.I.F.T broadcasts and other free format message types, e.g. MT 999.

E-mail — PDF file attachment in standardised format, see appendix one. PDF should be sent in a "read only" format to guard against manipulation from unauthorised parties. Either signature or call back mechanism should be the control to authenticate them.

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Fax	The company logo should be clearly visible on each page. It is optional whether the fax notification is signed by one or two authorised signatory(s). Either signature verification or telephone call back mechanism is the control required to authenticate a fax.
Post	Either signature verification or telephone call back mechanism is the control required to authenticate a letter.

- **SSI Template / Formatting**

The template should include only details of the change required, i.e. if a change to USD instructions is required, do not include full SSIs. See appendix one.

New SSIs and Amended SSIs should not be instructed together on one template. When notifying new SSIs check the appropriate box in the template and, if requiring to instruct an amended SSI, complete a new template and select the appropriate box.

Mandatory Fields

1. New SSI or amended SSI box
2. Company logo
3. Product area
4. Date of notification
5. Company full name and SWIFT code
6. Settlement date of the change
7. Product type(s)
8. Standard Settlement Instructions in Full name and SWIFT name format e.g. Beneficiary - Barclays Bank London – BARCGB22
9. Notification/Company contact points

Optional Field

1. Signature Block – it is understood that signatures are not a pre-requisite for all communication methods, e.g. SWIFT and fax etc

- **Notification Points**

Notification points to be included in the body of the SSI template, see Appendix one.

SSI Telephone Group Number
SSI E-mail Address
SSI Group Fax Number

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- **Notification Period**

  Notification period required by the party with the responsibility for validating and updating SSI static data internally, regardless of change requirement, should be 30 calendar days.

- **Validation**

  As best practice, SSIs should be exchanged between parties, particularly where there is no pre-existing trading relationship (new client).

  With greater levels of automation in executing trades, SSIs are less commonly included either (a) as part of an electronic message or (b) as part of a manual paper Confirmation. The practice of routinely exchanging SSIs, and of notifying changes, therefore, becomes a key process in promoting settlements efficiency.

  All requests to add or update SSIs should be received via authenticated means or authenticated by the receiving party.

  Adequate segregation of duties must be maintained at all times between the creation of the request and its authorisation and release. Adequate back-up should be in place for each role.

  Those involved in trade processing should not be the final level of input or approval in setting up SSIs.

  Any SSIs received through unauthenticated or insecure means (i.e. fax, e-mail or post) should be subject to a call-back to verify the legitimacy of the instructions, even where instructions have been solicited.

  Any request in writing, on counterparty letterhead, should be signed by authorised signatories, and these signatories must be matched to the client's signature list held on the receiving parties' files; otherwise communication is considered unauthenticated. It is acceptable if a telephone call back is performed.

  All telephone call backs should be made from recorded lines (subject to the normal tape retention schedule approved by internal audit and be made through the counterparty switchboard or other approved line.

  Telephone call backs or signature verification should be performed prior to SSI set up in the static repository.

  The person making SSIs call backs on taped phone lines should ensure the following is recorded on the line:

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- The time the call back was made
- The person spoken to
- The phone line called from
- The telephone number called

Tape retention should be per local regulatory requirements. In some jurisdictions, there are penalties associated with unauthorised taping.

Appendix I

SSI Template.pdf

Appendix 2

Authenticated Swift Template.d...

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