Version 1.0

Suggested Operational Practices:
Standing Settlement Instructions (SSIs)

Purpose

The purpose of these Suggested Operational Practices ("SOP") is to outline a set of guidelines for the communication, management and usage of Standing Settlement Instructions (SSIs).

This document ultimately aims at increasing standardization and efficiency in performing payments for OTC derivatives. Suggested operational practices for the exchange of SSIs for the purposes of collateral are available in section 1.7 of the Suggested Operational Practices for the OTC Derivatives Collateral Process (link).

This document is an update to the Best Practice Statement that was published by ISDA on August 11th, 2010 (link), which has been reviewed and updated at the request of ISDA members.

The ISDA Derivative Operations Group has discussed current practices for the communication, internal management and overall usage of SSIs and members of such group have agreed the following SOP guidelines.

Although these procedures were intended to be used as a complete system, we understand that certain market participants have signaled an intent to use discrete components or portions of these procedures. While market participants are free to use these procedures bilaterally, however agreed to with a counterparty, doing so is not consistent with the design intent. Indeed, by using some but not all of the procedures outlined herein, market participants may be introducing unintended consequences that ISDA has not studied, and which may distort the benefits intended to be achieved through use of the totality of procedures. As with any operating procedures, please consult your own professional advisers before using or making any modifications.

Please Note: The SOP do not constitute legal, accounting, regulatory, financial or any other professional advice. The SOP provides an overview of the views expressed by market participants in an ISDA Working Group forum and is not meant to be binding in any way. As with all market information and guidance that ISDA disseminates, parties are free to choose alternative means of addressing the event. Parties are responsible for considering their own documentation and the specific terms of any transactions and should satisfy themselves that the recommendation is appropriate and is properly applied in the context of those transactions to reflect the commercial intention of the parties. The SOP are not intended to impact parties' contractual rights or amend the terms of any existing contract. The SOP may be amended from time to time.

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1. Scope

The scope of this document is to cover the main life-cycle stages of an SSI in the OTC derivatives market, such as the initial communication from one party to the wider market, the syntax that should be used in the messages, the management of SSIs within an institution's internal database and the usage of SSIs in the confirmation and settlement processes.

2. Standing Settlement Instructions

SSIs are the default instructions provided by a party to a counterparty for the purposes of performing payments and delivery of securities into the accounts indicated by such party. Information on the key

elements comprising an SSI message is provided in the following sections of this document.

3. Communication of SSIs

a. Coverage[1]

(i) Currencies
Institutions are recommended to promptly communicate to their counterparties SSIs for all the currencies and asset classes in which they execute transactions. A lack of communication of an SSI for a particular currency/asset class, even if this is rarely utilized for settlement purposes, may impact the ability for a party to enter into a transaction involving that particular currency/asset class due to delays in validating the relevant account information by the other party.

(ii) Products and Markets
SSIs for payments or settlement of cash contain information regarding which Asset Category (see below table for further information) such instructions should be utilized for. Institutions are recommended to communicate an SSI linked to a specific currency by either referencing the Asset Category "ANYY", which signifies that such SSI can be utilized for any product for such specified currency or communicate an SSI for each relevant Asset Category and currency. For example, if an institution wishes to specify that a certain SSI for a given currency should be utilized for payments in respect of FX and Commercial Payments, then such institution should communicate one SSI with code "FOEX" and another SSI for the other respective markets and for a specified currency (e.g. "COPA" for commercial payments).

Users of DTCC's ALERT can communicate unique settlement instructions using five standard keys: for Investment Managers, these are Acronym, Access Code, Country, Security, and Method (used to indicate PSET BIC for security settlements). For Brokers, SSIs are communicated using Acronym, Model Name, Country, Security, and Method. Every SSI must have a unique combination of these five keys. For example, a settlement instruction for equities in the United States settling through DTC would be communicated with a country-security-method combination of US-EQU-DTC. For Euro Foreign Exchange transactions with a cash settlement, users would communicate with a country-security-method combination of EU-FX-CASH.

(iii) CLS[2]-settled FX trades[3]
CLS third-party clients, in addition to the various Nostro bank accounts for the relevant currencies, can utilize a CLS settlement member through which they can settle payments on CLS. CLS FX trade confirmations require both the sender and the counterparty SSIs to be specified, therefore institutions are recommended to separately store in their database the specific CLS SSIs for their counterparties

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[1] Members who are aware of additional infrastructure providers that are relevant in this section of the SOP should email ISDA (MarketInfrastructureandTechnology@isda.org) to provide details of their offering for inclusion. Considerations from other infrastructure providers can be added in subsequent versions of the SOP.

[2] For more information on CLS, see www.cls-group.com. Information on how to use SWIFT messages in the context of CLS third-parties can be found in the Knowledge Base after logging onto www.swift.com.

[3] ISDA has been informed by working group members that FX payments are commonly settled through CLS, however other service providers may exist. Any service providers who would like to be referenced in the SOP should email ISDA (MarketInfrastructureandTechnology@isda.org) to provide details of their offering for inclusion.

and label them appropriately. CLS third-party clients are also recommended to communicate their CLS-specific SSIs to all their CLS counterparties.

Similarly, specific SSIs have to be communicated for transactions cleared, netted or settled via a central infrastructure, especially where this happens via an intermediary different from your correspondent for regular transactions.

<u>b. PMI (Payment Market Infrastructure) Direct Settlement Capability</u>

Parties that are able to settle a given currency directly into the main RTGS (Real Time Gross Settlement) for that currency, i.e., without any need for a correspondent, should indicate this capability by mentioning their own 11-character BIC both as SSI owner, and as Account Servicing Institution ("Nostro") in the SSI for that currency. Otherwise, an institution not indicating any SSI (i.e., no "Nostro") for that currency will be ignored as a settlement possibility by any routing algorithm.

<u>c. Communication methods[4]</u>

The suggested operational practice is that institutions should communicate new, amended, or deleted SSIs to the entire community, rather than to a selection of counterparties, by utilizing the appropriate tools for the relevant market. For platforms with built-in permissioning features, institutions should permission their counterparties and provide access to view their SSIs within the platform. Suggested operational practice is to communicate SSI's via a centralized database, where necessary complimented with additional tools to reach any parties not connected to such a database: authenticated Swift messages (MT670), or e-mails not quoting the SSI, but referring to the secured webpage maintained by the SSI owner. Systemic interoperability between vendors, clients and providers should be encouraged to enabled straight through processing within the payment ecosystem.

(i) SWIFT
Institutions can use SWIFT MT 670 for cash SSIs (please refer to the SWIFT Handbook for further information on all message types), which SWIFT takes as input to broadcast an institution's SSIs to the wider community (via an MT 671). Not all institutions are able to process such MT 671 message type, hence it is recommended that institutions that have such capability complement their communication reach with other means to communicate their SSIs to the broader community[5]. This functionality provides users of SWIFT's Bankers World Online REACH and SSI Plus with notifications of new or amended SSIs. Bankers World Online REACH does not have the capability to highlight the changes, yet SSI Plus is capable of providing changes on a regular basis (e.g., monthly or daily) which can be directly fed into institutions' internal systems.
Certain institutions utilize SWIFT MT 199 or MT 299 message types, which are free-format, authenticated messages which can only be distributed to one party at a time. Since these message

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[4] The information set out relates to those service providers alerted to ISDA as relevant for SSI messaging, however other service providers may exist. Any service providers who would like to be referenced in the SOP should email ISDA (MarketInfrastructureandTechnology@isda.org) to provide details of their offering for inclusion. Considerations from other infrastructure providers can be added in subsequent versions.

[5] Visit https://www2.swift.com/knowledgecentre/publications/myd_ug/2.0 for more information on how to maintain data on SWIFT.

types are free format, it is vital that all components of an SSI are included in line with the Syntax section below and that appropriate controls are in place to verify the information input in such messages. Also, given the operational overhead caused by such messages, it should be avoided to use these as the *default* communication channel for all SSI changes. Incoming MT 199s or MT 299s have to be dealt with manually and can come in at any moment from any party.

(ii) DTCC ALERT
DTCC's ALERT service is an online global database available for the maintenance and communication of accounts and SSIs. Investment managers, investment manager outsources, broker-dealers, and custodian banks utilize ALERT to maintain and retrieve account and SSI data, with real-time notifications of account and SSI changes to all permissioned clients. Secure connectivity between investment managers and global custodians via ALERT's Global Custodian Direct (GCD) workflow allows for automated real-time management of SSIs, ensuring SSI validity and removing the need for follow-up verification.

Multiple levels of authentication are available for clients who require additional levels of security, reducing risk. Additionally, ALERT validates SSIs against the latest market compliant rules ensuring data completeness. Client-specific filtering allows broker-dealers to receive real-time updates for their specific account and SSI requirements, with both electronic and user interface connectivity options available for data retrieval and maintenance.

(iii) Secure website
Institutions who are capable of listing their SSIs on a secure website could disseminate the URL to the wider community, either manually or via automated messages that can be sent each time a change has taken place. For the avoidance of operational overhead, firms should utilize this approach to reach out the counterparties that are not connected to a central database, avoiding the need for verbal confirmation. Firms should ensure the security of the website.

d. Timing

Communication of SSIs should be done in a timely manner, in advance of a change (see below for details). Responses to SSI inquiries should be provided in time for the settlement to be processed effectively. Institutions are recommended to complete setting up SSIs with their counterparties during the counterparty on-boarding stage, before entering into transactions. Suggested operational practice is to disseminate SSIs to the wider community rather than bilaterally.

(i) New SSIs
New SSIs (i.e. an institution's first currency / Asset Category combination) are recommended to be communicated, along with a specified activation date, a minimum of 2 weeks before the activation date. This time window should allow market participants to update their database with the new information in time for the activation date, which should always be part of the communication. Institutions that communicate new SSIs with notice greater than 4 weeks should re-broadcast such new SSIs within the recommended time window (between 2 and 4 weeks before the activation date).

(ii) SSIs deletions

When an SSI is to be deactivated (e.g., because activity in a given currency or Asset Category will be terminated), it will be necessary to delete an existing SSI. Scheduled SSI deletions should be communicated in line with the recommended timeframe (between 2 and 4 weeks before the deactivation date). All SSI deletions should provide an "end date" as part of the communication.

(iii) SSI replacements
SSI replacements (i.e., deletion and activation of new SSIs for the same currency or Asset Category) should be communicated by providing the same date for the deletion of the former and the activation of the new SSI. SSI replacements' information should be provided in the same communication, instead of two separate ones, and should follow the recommended timeframe (between 2 and 4 weeks before the deletion/activation date). To ensure proper handling of outstanding transactions with future value date, It is also recommended to make it clear that the new SSI applies to any payment date (for the relevant currency/asset class) from the activation date, regardless of the trade date of a particular transaction (rather than the trade date, which can create operational risk). Institutions that communicate replacement SSIs with notice greater than 4 weeks, are recommended to combine this with a follow-up communication using e-mails, referring to the initial communication, MT199s and/or phone calls, whenever possible to check reception and implementation of the initial communication.

(iv) Non-urgent SSI inquiries-Payment Date beyond 2 weeks
It is recommended that institutions respond to non-urgent SSI confirmation requests from other parties, including major SSI providers, as soon as possible and no later than within two weeks of the inquiry receipt. Institutions should promptly flag to a party any potential error in the SSIs provided by such party, by informing the SSI providers and/or the relevant counterparties directly. While at times it can appear unavoidable to communicate SSI via transaction level messages, it is recommended to restrict the exchange of SSIs to the appropriate staff dealing with SSIs rather than via the transaction confirmation.

4. Recommended Controls

Institutions should ensure that there are adequate controls around the process of communicating, utilizing, and managing SSIs.

a. Verification controls
Institutions should ensure that the information submitted as part of the SSI communication process is appropriately verified. Controls should be in place, such as system-verified controls, '4-eye' checks and two-level verification processes. It is recommended that the individual verifying and approving the communication should be in a more senior position within the institution than the individual inputting the instructions.

b. Segregation of Duties
Institutions should ensure that adequate controls exist in order to not allow the same user to: (i) create settlement instructions and process settlements, (ii) perform the communication of the institution's SSI, and (iii) perform the internal storage and management of counterparty's SSIs.
Institutions should also ensure that, where they use electronic systems to match the SSIs in trade

confirmation messages that are exchanged between parties, such systems are capable of flagging relevant discrepancies in the messages to the users. Where discrepancies are identified, systematic or process controls should be put in place to monitor and resolve these discrepancies while ensuring that there is sufficient independent oversight of SSI amendments. Organizational and/or geographic segregation could also be considered to ensure that there is sufficient segregation between the person making an amendment and the person approving the amendment. Hence, to prevent the fraudulent use of a modified SSI, such electronic systems should have very strict access controls to the set of such discrepancy rules, and this set of discrepancy rules should be checked independently on a frequent basis.

5. Managing an SSI Database

For the purposes of effectively manage an internal SSI database, institutions are recommended to:

i. Update the internal database(s) regularly: Institutions should check for relevant changes as soon as possible (e.g. daily), and always as and when any changes in SSIs are communicated.
ii. Update all internal systems with the latest SSIs.
iii. Carefully process activation and de-activation dates of each SSI record, to ensure usage of currently valid SSIs.
iv. Manually verify the processing of incoming MT 671s that use the optional free format field. This free format field could contain data that modifies the contents of the standard format above. E.g., "Only valid as of 1/2/2022" (despite the absence of an activation date specified).

6. Communicating SSIs

For the purposes of effectively using SSIs, institutions are recommended to:

i. Avoid using free format party identifiers in SSIs; Use BIC codes, national codes, (e.g., ABA for the U.S.) or LEIs where available instead.
ii. State and reconfirm SSIs in the confirmation matching process.
iii. Use secured channels to both obtain and send the updates as well as to process the information internally, in order to ensure that the information received matches the information uploaded to internal systems, apart from the necessary syntax adjustments required by a given application.
iv. Reconfirm outstanding transactions for which there is a change of SSIs during their life cycle, utilizing code "AMND" (amendment), or a combination of CANC and NEWT, where appropriate. In cases of non-electronic confirmation SSI should be reaffirmed pre-settlement.
v. Segregate write access from read-only access to the SSI database from, e.g. read-only access granted to consult the SSI database and populate the SSI fields of confirmations and settlement messages.

7. SSI Syntax

a. Syntax

A cash SSI is defined by the following components.

M/O	Component	Syntax	Comments
M	Owner	11-character BIC; connected or not connected to SWIFT	Not all branches share the same SSIs with the entities they are related to. Institutions should explicitly mention such exceptions as part of the SSI communication and clearly report the full 11-character BIC[6] for each relevant entity.
M	Currency	3-character ISO code	e.g. USD, EUR, GBP.
M	Account Servicing Institution / Nostro / Correspondent BIC	11-character BIC	e.g. NOSTGB2LNOS, BANKBEBBXXX. The full 11-character BIC[7] should be provided. A branch code can be denoted as "XXX", however it is important to note that not all Nostro banks use their default "XXX" branch code to denote the branch acting as Nostro bank.
O	Account Number	34x	
O	Start date	YYYYMMDD	Even though it is an optional field, as new SSIs are to be communicated with 2-4 weeks' notice, the start date is necessary for that reason.
O	End date	YYYYMMDD	Optional field, as for most SSIs there is no up-front intention to delete. See above section 2. d. Timing for further information on when to provide a value.
O	Preferred flag	Y or N	As per the ISO standard, parties having more than one SSI for a single combination of currency and Asset Category can indicate the usage of one or more SSIs to be preferred over the usage

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[6] Other unique and generally accepted identifiers, like LEIs can be used too (but currently not commonly used in the context of exchanging/identifying SSIs)
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			of the other ones. However, no party is obliged to take such preferences into account.
M	Asset Category	4-character code from limited list	Sometimes referred to as "market codes". Such a code indicates for which type(s) of transactions a given SSI can be used. See below the list of existing codes, the relationship between them, and some specific recommendations regarding the usage of such codes. This information is required to allow verification (call back, or reference to secure webpage…) for SSIs that cannot be communicated via a secure channel which is preferred.
O	Call-back information	Free format	This information is required to allow verification (call back, or reference to secure webpage…) for SSIs that cannot communicated via a secure channel. However, confirming via the publicly published number is best.
O	Further identification of the owner	Free format	To further identify the owner: full name and address.

(i) Asset Category

Asset Category codes are grouped in "families": Wholesale ("WHLS") and Commercial payments (or Retail, "COPA"). In addition, there are a few codes that can be used as "supersets" for several codes:
   a. ANYY is a superset for *all* codes.
   b. TREA is a superset for COMM, DERI, FOEX, NDFL, and OPTI.
   c. TFIN is a superset for COLL, DOCC, GUAR, and LETT.

WHLS	Wholesale business	
CASH	Cash	Bank to bank cash movements. Bank notes, remittances
COLL	Collections	Collections
COMM	Commodities	Precious metals and other commodities such as palm oil.
DERI	Derivatives	Futures contracts, options, forward contracts, swaps, OTC, custody, fixed income etc.
FOEX	Foreign Exchange	Foreign Exchange, FX Spot
GUAR	Guarantees	Guarantees, collateral, cash collateral
LOAN	Loans	Loans and deposits, Fixed Interest
MMKT	Money Market	Money Market loans & deposits
NDLF	Non-Deliverable Forward	FX forward trade on a non-deliverable currency.
OPTI	Options	FX options, swaptions, currency options, cross currency swap etc.
SECU	Securities	Bonds, equities, futures, capital markets, term deposit
TREA	Treasury	Cash management activities.

COPA	Commercial Payments /Retail	Payment in which one of the parties is not a financial institution
DOCC	Documentary Credits	Documentary Credits
LETT	Letters of Credit	Letters of Credit
TFIN	Trade Finance	Documentary credits, collections, guarantees, letters of credit.

If an SSI can be used for any type of transaction, then ANYY should be elected, even if the relevant institution is not active in a particular market.

Separate SSIs need to be submitted and maintained for each relevant Asset Category if ANYY is not elected.

8. Practices and Behaviors Not Recommended When Communicating SSI

For the purposes of minimizing operational risks, the following practices and behaviors should be avoided:

i. Distributing SSIs, with explicit mention of account numbers, directly via e-mail or regular mail. Where e-mail/mail is the only possible way to reach certain parties, account numbers should be subject to very explicit verification during the call-back process. Incoming e-mails mentioning only a change in the account number of an existing SSI, should be considered suspicious.

ii. Processing incoming e-mails containing SSIs without proper verification. If a party receives SSIs as described in point i. above, appropriate verification of the details is necessary to ensure the processing of correct and genuine SSI amendments.

iii. Insufficient segregation. Write access to an SSI database should not be given to users who perform functions in which the SSIs are used, for example the confirmation and settlements functions. Handing over tasks due to holiday coverage or general absences should follow the required segregation of duties.

iv. Providing a long (or incomplete) list of identical SSIs for a given currency, using various market codes, instead of using code "ANYY".

v. Usage of free format SSIs, in confirmations.

vi. Entering into OTC (e.g. FX) transactions for a given currency, before the relevant SSIs have been exchanged with the counterparty. The practice of using the first confirmation message to convey the SSIs should be avoided as it carries the same level of risk as giving write access to the users of the SSI database.

vii. Parties should avoid using "UNKNOWN" as the counterparties settlement instructions, followed by a confirmation using code AMEND and the counterparties settlement instructions learned from the confirmation received.