

## **MMLG GUIDANCE ON THE TIMETABLE FOR THE ALLOCATION OF ISINs TO CD ISSUES**

The following sets out guidance agreed by MMLG on the timetable for the dissemination of ISINs for CDs.

1 The period between the agreement of a bank or building society to sell an amount of a new issue of CDs to an investor(s) and settlement in CREST should not be more than one hour.

2 There can be 8 steps in this process:

- (a) issuing bank agrees with investor to sell an amount of a new issue
- (b) the dealer informs back office of the trade
- (c) the back office inform the IPA
- (d) the IPA puts the creation details into CREST and the IPA receives the ISIN details in return
- (e) the IPA informs the issuing bank's back office
- (f) the issuing bank informs the investor of the ISIN
- (g) The investor (or its settlement agent) inputs the details (including the ISIN) to CREST for matching
- (h) The trade settles in CREST.

2 MMLG recommends that the interval between (a) and (d) should be no more than 15 minutes; between (e) and (f) no more than 30 minutes; and between (g) and (h) no more than 15 minutes. Market participants should use their best endeavours to comply with this timetable.

- 3 Unless otherwise agreed between the issuer and investor, no CDs should be traded on the primary market after 12 noon for same day settlement.
- 4 Market participants should seek to comply with the one hour deadline for CDs traded on the primary market after 12 noon (for *next day settlement*).
- 5 Market participants are encouraged to consider the scope for the use of SWIFT messages for communication (straight through processing) in the relevant stages – please see below extract from the CREST publication “MMIs in CREST – consultation response” for a suggested STP mechanism incorporating ISO15022 messaging.

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## **Appendix - the CREST issuance process (extract from MMI consultation response, October 2002)**

### **The issuance message**

In order to issue uncertificated units of an MMI (as an EDS), a new message will be developed by CRESTCo which will perform three functions.

1. It will create the security details in the CREST system.
2. It will create any associated corporate actions (for MMIs with interim coupon payments) from information contained in the message.
3. It will create the security balance within the IPAs stock account.

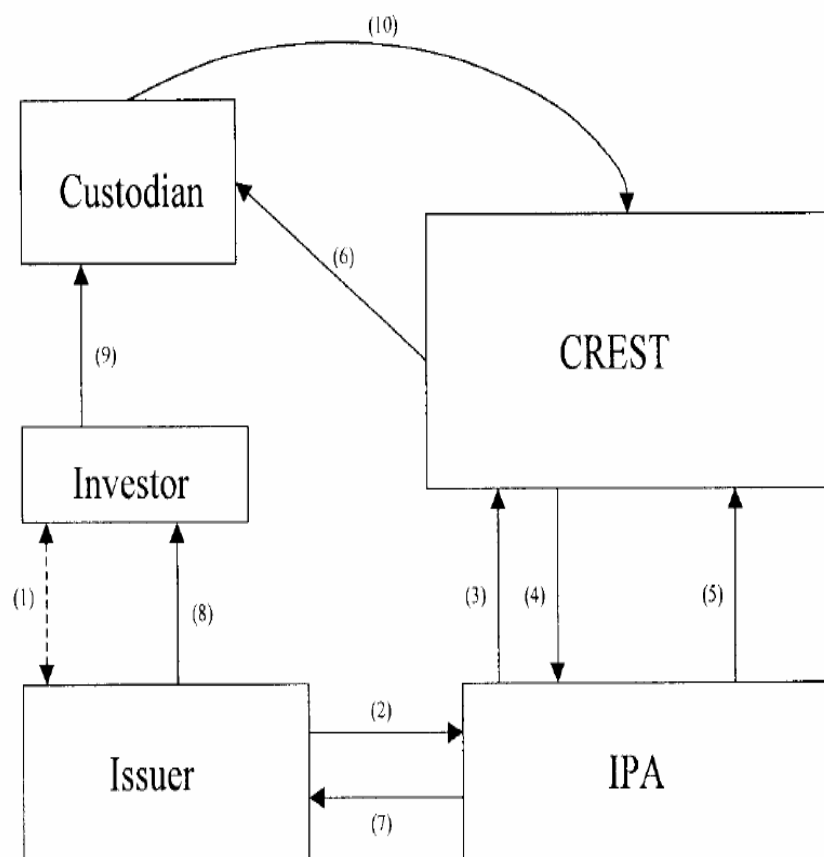
The message will be sent as an “issuer-instruction” attributable to both the IPA and the issuer on whose behalf it is acting. Each of these functions is currently performed separately (for equities and bonds) either by the CREST System Controller (steps 1 and 2) or by the registrar for the security (step 3).

The IPA message can be sent using the interactive (GUI) or File Transfer interface. One of the objectives of CRESTCo is to ensure that as many functions as possible can be achieved using the IS015022 interface as defined by S.W.I.F.T. At the time of writing, S.W.I.F.T. do not have an IPA message, and it is expected that there will not be an IPA message when the integration of MMIs into CREST commences. However, there has been considerable interest amongst the IPA issuers for an IS015022 interface IPA message. CRESTCo will consult with S.W.I.F.T. accordingly, with a view to incorporating issue details in a S.W.I.F.T. MT598 message, with a view to migrating to a defined standard when one becomes available. Such messages will be required to be a “properly authenticated dematerialised instruction” As per paragraph 20 of schedule 1 to the USRs, and as such will be required to utilise an accredited CREST network provider that is capable of handling IS015022 messages. The S.W.I.F.T. FIN network is not an accredited CREST network.

It will be possible to forward-date the IPA message. For forward dated inputs, the ISIN will be allocated in advance of the actual issuance taking place. This is advantageous in the context of T+1 issuance for dollar instruments. Advance allocation of an ISIN will also ease the process of migrating instruments from CMO into CREST (it will be possible to allocate all the issues in CMO with ISINs

prior to the migration, thus giving the market plenty of time to prepare for the transition), and will also allow issues that currently do not reside in CMO to be dematerialised.

In terms of Straight Through Processing, the IPA function could become fully automated, as per the diagram below.



(1) Deal agreed

(2) Details sent to IPA (MT598)

(3) IPA sends issue details to CREST (MT598)

(4) CREST sends response to IPA, incorporating the ISIN (MT598)

(5) IPA sends delivery instruction to CREST (MT543)

(6) Unmatched status of transaction reported to custodian by CREST (MT578)

(7) IPA confirms to issuer that issuance is complete (MT598)

(8) Trade confirmation message from Issuer to Investor (?)

(9) Investor instructs his custodian to receive the issue (MT541)

(10) Custodian instructs CREST to receive the issue (MT541)

Note - normal CREST messaging (FMIN for MMI creation, ADVN for settlement) can be used instead of ISO messaging for STP purposes.