



CTM BEST PRACTICES

MAY 30, 2018

This document is for debt and equity trades. For information on other asset classes, such as Exchange Traded Derivatives (ETDs) and repurchase agreements (repos), contact your DTCC representative.

Introduction

This document covers general best practices and expected behaviors for CTM investment managers and broker/dealers. DTCC follows global standards including ISO, ISITC, [SMPG](#) and others. It is committed to promoting post-trade efficiencies from the standardization of fields, workflows and behaviors. It introduces ways to optimize your CTM implementation.

Exception Management

Both parties to the trade are responsible for ensuring their trades reach a *MATCH AGREED* status. Therefore, always proactively monitor trade mismatches and act when your side is in error.

If you are an investment manager, display trade financials to your counterparty on *MISMATCHED* trades to help resolve exceptions.

Alleged Trades

DTCC best practice is for investment managers to allege trades to a specific CTM broker counterparty identified by its CTM BIC (Business Identifier Code). When an investment manager uses a broker matching group (BRMG), the executing broker only sees the investment manager's alleged block after it pairs with a corresponding trade from the broker/dealer.

Legal Entity Identification (LEI)

CTM has *LEI* and *Account LEI* fields for providing an LEI to identify the associated legal entity for the trade.

The DTCC best practice is to populate these fields on your CTM trades as follows:

- The *LEI* field is for clients to provide the LEI equivalent for the CTM entity submitting the trade
- The *Account LEI* field is for investment managers to identify the LEI for the specific account.

Workflows

The DTCC best practice is to submit trade information as soon as you have it. Batch processing is not recommended. The block quantity should always be equivalent to the executed block quantity. Broker/dealers only submit their trade details (contracts or confirmations) after retrieving them from the investment manager's paired trade side.

Match Agreed Status and the Common View

Once a trade reaches *MATCH AGREED*, you cannot unilaterally cancel the trade. Both sides have to agree to cancel the trade using the cancel request process.

DTCC recommends that you instruct a trade for settlement after the trade sides have reached *MATCH AGREED*.

The common view reflects the final paired and matched values of a *MATCH AGREED* trade.

Arriving at Final Paired and Matched Values

For block-level trades to arrive at the final paired and matched values, CTM always uses the broker/dealer's values for the following financial fields:

- | | | |
|-------------------------------------|---------------------------|--------------------------------|
| • <i>DealPrice</i> | • <i>TradeAmount</i> | • <i>TradeChargesOrTaxes</i> |
| • <i>TotalTradeAmount</i> | • <i>NetCashAmount</i> | • <i>AccruedInterestAmount</i> |
| • <i>TotalAccruedInterestAmount</i> | • <i>TradeCommissions</i> | • <i>ChargesOrTaxes</i> |
| • <i>TotalSettlementAmount</i> | • <i>SettlementAmount</i> | • <i>CurrentFactor</i> |
| • <i>TotalNetCashAmount</i> | • <i>Commissions</i> | |

For other fields:

- Whenever a broker/dealer provides a value, CTM uses it.
- When *only* the investment provides a value, CTM uses it.
- When neither party provides a value, CTM does not populate the field with a value.

Note

These rules apply for both non-matching values and values that match within the investment manager's profiles.

Provision of Trade Information

The best practice is to identify your type of security by accurately populating the *TypeOfFinancialInstrument* field.

CTM requires that broker/dealers support all L1 pairing fields and optional L2 matching fields.

Provision of Settlement Information

If you are a broker/dealer, always provide standing settlement instructions (SSIs) on the block and only override values on confirmations/contracts that have different instructions on the block.

If you are an investment manager, provide SSIs on your allocations. ALERT enrichment is the recommended method of adding SSIs to your trades.

Many investment managers download the SSIs provided by broker/dealers into their internal systems—also known as the broker delivery instructions or BDIs. If your organization downloads BDIs, DTCC recommends that you always look for SSIs on the broker/dealer's confirmation/contract before their block.

Cross-Currency Trading

CTM supports matching of cross-currency trades and dual currency bonds with the fields and usage described herein.

Both cross-currency trades and dual-currency bonds have an associated cross-currency settlement risk, commonly known as *Herstatt risk*. DTCC strongly recommends that you supply accurate currency codes on all trade components for all phases of the trade life cycle.

Cross-Currency Trades

CTM allocations (trade details) contain settlement amount fields. These fields enable the submitter to provide a *Settlement Amount* and corresponding *Currency Code* where the *Net Cash Amount* is in a different currency than the *Settlement Amount*.

Note

Only populate the Settlement Amount if it is different from the Net Cash Amount.

Settlement amount fields are configurable matching fields. Investment managers can choose to include these fields in the matching process that evaluates their values with their broker/dealer's values.

CTM allocations (trade details) also contain fields for foreign exchange (FX) information (*FromCurrency*, *ToCurrency*, and *ExchangeRateAmount*). These FX fields are for informational purposes when the cross-currency trade has an associated foreign exchange. These FX fields are not configurable as matching fields.

CTM does not perform any currency exchange calculations.

Dual-Currency Bonds

A dual-currency bond pays interest in one currency and principal redemption in a second currency. Depending on the details of your transaction, use the following guidelines when creating dual currency bonds:

- Enter the interest and any other financial details in the trade currency.
- Enter the principal in the settlement currency.

As with cross-currency bonds, only populate settlement fields when the settlement currency is different from the trade currency. If the settlement currency and the trade currency are the same, leave the settlement fields blank.

[Figure 1](#) illustrates how Omgeo CTM matches on *Net Cash Amount* in one currency (RUB) and *Settlement Amount* on a different currency (USD).

Additional Account References							
Block Information							
Field	IM Value	Broker Value	Field	IM Value	Broker Value		
TL Version	1	1	Buy/Sell	SELL	SELL		
Asset Class	DBT	DBT	Quantity	100,000,000.0	FAMT	100,000,000.0	FAMT
Type of Financial Inst	SVDT	SVDT	Trade Date	20-Feb-2018	20-Feb-2018		
Security ID	Num Agy/Cty Code	Num Agy/Cty Code	Trade Time	(hh:mm:ss) 00:00:00	(hh:mm:ss) 00:00:00		
	ISIN	ISIN	Exec Broker Type/Val	BIC	RUBCB333XXX	BIC	RUBCB333XXX
Security Code	Security Code	Security Code	Exec Broker Name	Onges AusdruckerName			
	RU000AOJS751	RU000AOJS751	Instructing Party Type/Val	BIC	ZWOTUS33XXX	BIC	ZWOTUS33XXX
Security Description	RUSSIA 7.4 19/04/2017 SER 2508	RUSSIA 7.4 19/04/2017 SER 2508	Instructing Party Name				
			Place Of Clearing				
L2 Matching Fields - L2 Matching Profile Name: DEBT-RUB							
Field	IM Value	Broker Value	Match Field	IM Value	Broker Value	Match	
Quantity Allocated	100,000,000.0	FAMT 100,000,000.0	PSET	MGTCBEBE	MGTCBEBE		
Trade Amount	100,000,000.00	RUB 100,000,000.00	Settlement Conditions				
Net Cash Amount	103,000,000.00	RUB 103,000,000.00	Party Capacity				
Settlement Amount	280,000.00	USD 280,000.00					
Accrued Interest	3,000,000.00	RUB 3,000,000.00					

Figure 1 Trade – Russian Bond (RUB) Settling in USD

More Best Practices Documents

The Best Practices and CTM FAQs documents in the [DTCC Learning Center](#) provide additional guidance on the many topics.

Changes in This Version of the Document

This version updates all branding components and does not contain any content changes.

Related Documents and Training

For related documents and training in the DTCC Learning Center, go to [Institutional Trade Processing → CTM](#).

Questions?

The DTCC Client Center provides general assistance and technical help. Visit www.dtcc.com/client-center to:

- Enter a service request or check the status of an existing service request
- Search the knowledge base
- Obtain contact information

Copyright© 2018 The Depository Trust & Clearing Corporation ("DTCC"). All rights reserved.

This work (including, without limitation, all text, images, logos, compilation and design) is proprietary and protected by copyright, and is for the exclusive use of users authorized by DTCC. If this work is received from DTCC in any electronic medium, authorized users of this work are granted a limited, non-exclusive, non-transferable, non-sublicensable and freely revocable license to make reproductions and transmissions necessary for downloading and storage of this work on the users' computers and to print one or more paper copies from the electronic version for their own use. Other than to this limited extent, no part of this work (including any paper copies thereof or print versions thereof) may be printed, copied, altered, modified, posted, reproduced, displayed, published, sold, licensed, used or distributed (including by transmission) in any form or by any means, or stored in any information storage and retrieval system, without DTCC's prior written permission.

"DTCC" is the brand name under which certain affiliates of The Depository Trust & Clearing Corporation provide services in particular geographic areas. The Depository Trust & Clearing Corporation does not provide services to clients. Each of The Depository Trust & Clearing Corporation's affiliates is a legally separate and independent entity, and each is subject to the laws and regulations of the particular country in which it operates. Please see www.dtcc.com for more information on the legal structure of The Depository Trust & Clearing Corporation and its related entities.

All product or service names are the property of their respective owners.

Publication Date: May 30, 2018

Publication Code: CT611

Service: CTM

Title: CTM Best Practices