

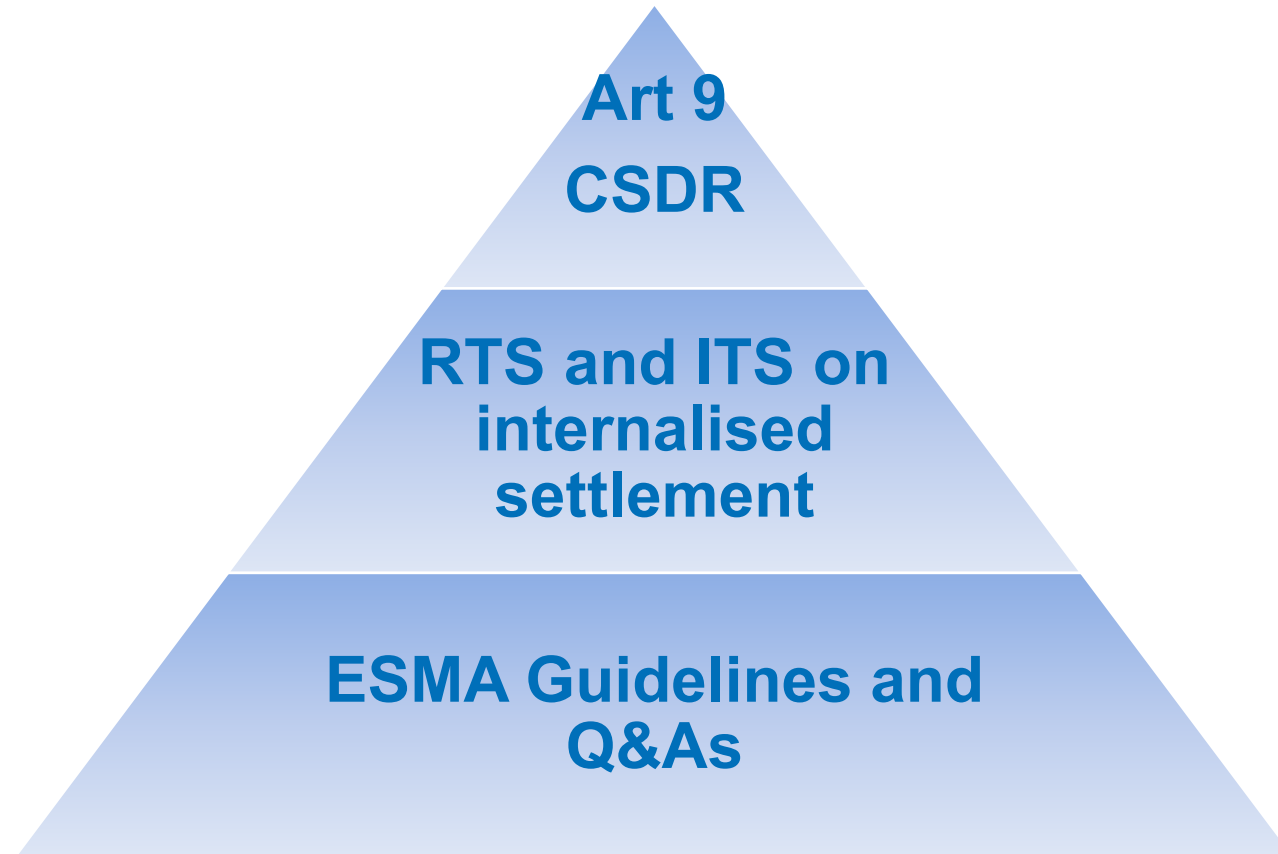


FIN-FSA
FINANCIAL SUPERVISORY AUTHORITY

Settlement internalisation - testing and validation

FIN-FSA reporting project

Overview of internalised settlement reporting requirements (legal framework)



Internalised settlement reporting - definitions

Settlement internalisers **Art 2(11) CSDR**

Institutions incl. credit institutions (Capital Requirements Directive) or investment firms (MiFID II) which execute transfer orders on behalf of clients or on their own account other than through a securities settlement system

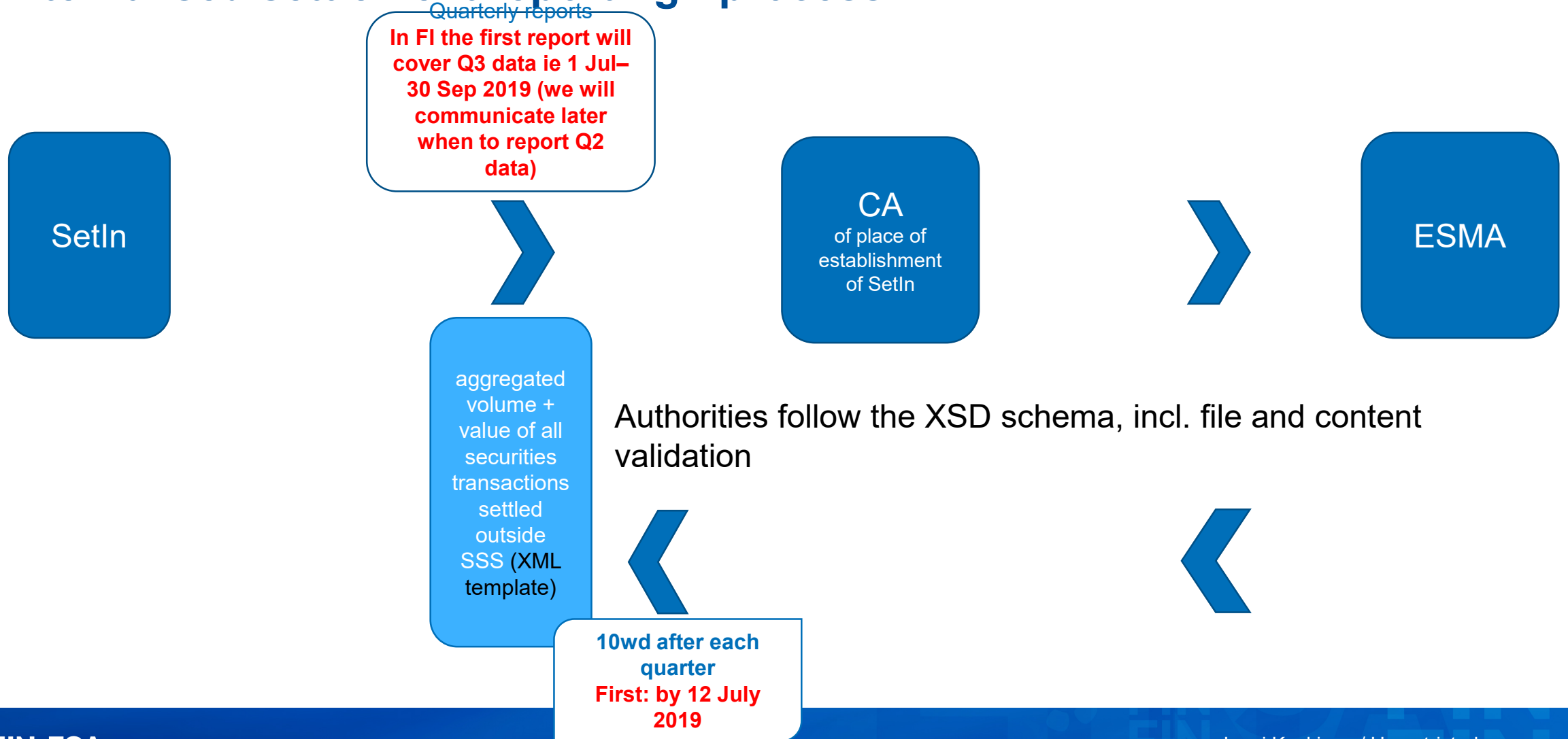
Internalised settlement instruction **Art 1(a) RTS internalised settlement**

An instruction by a client of the settlement internaliser to place at the disposal of the recipient an amount of money or to transfer the title to, or interest in, a security or securities by means of a book entry on a register, or otherwise, which is settled by the settlement internaliser in its own books and not through a securities settlement system

Failed internalised settlement instruction **Art 1(b) RTS internalised settlement**

Non-occurrence of settlement or partial settlement of a securities transaction at the date agreed by the parties concerned due to a lack of securities or cash, regardless of the underlying cause

Internalised settlement reporting - process



Internalised Settlement Reporting – information to be reported

Type of financial instruments

Type of transactions

Type of clients: retail and professional

Cash transfers

Failed internalised settlement instructions

Per first 2 characters of the ISIN and Issuer CSD

Internalised settlement reporting – useful documentation and links

- ❖ CSDR <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0909>
- ❖ RTS on internalised settlement <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0909>
- ❖ ITS on internalised settlement <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0909>
- ❖ ESMA Guidelines on internalised settlement reporting
<https://www.esma.europa.eu/document/guidelines-internalised-settlement-reporting-under-article-9-csdr-0>
- ❖ ESMA CSDR Q&As <https://www.esma.europa.eu/press-news/esma-news/esma-updates-csdr-qas-3>
- ❖ Technical Guidance for Settlement Internalisers – Report Validation Rules
https://www.esma.europa.eu/sites/default/files/library/esma65-8-6448_csd-technical_guidance_for_settlement_internalisers_-_report_validation_rules_v3.0.0.pdf “TRI” (and related XML files https://www.esma.europa.eu/sites/default/files/esma65-8-6251_csd-technical_guidance_for_settlement_internalisers_-_report_validation_rules_v1.0.0_embeddedfiles.zip)
- ❖ ESMA website on Settlement <https://www.esma.europa.eu/regulation/post-trading/settlement>
- ❖ FIN-FSA webpage <https://www.finanssivalvonta.fi/en/reporting/regulatory-reporting/stt-reporting/>

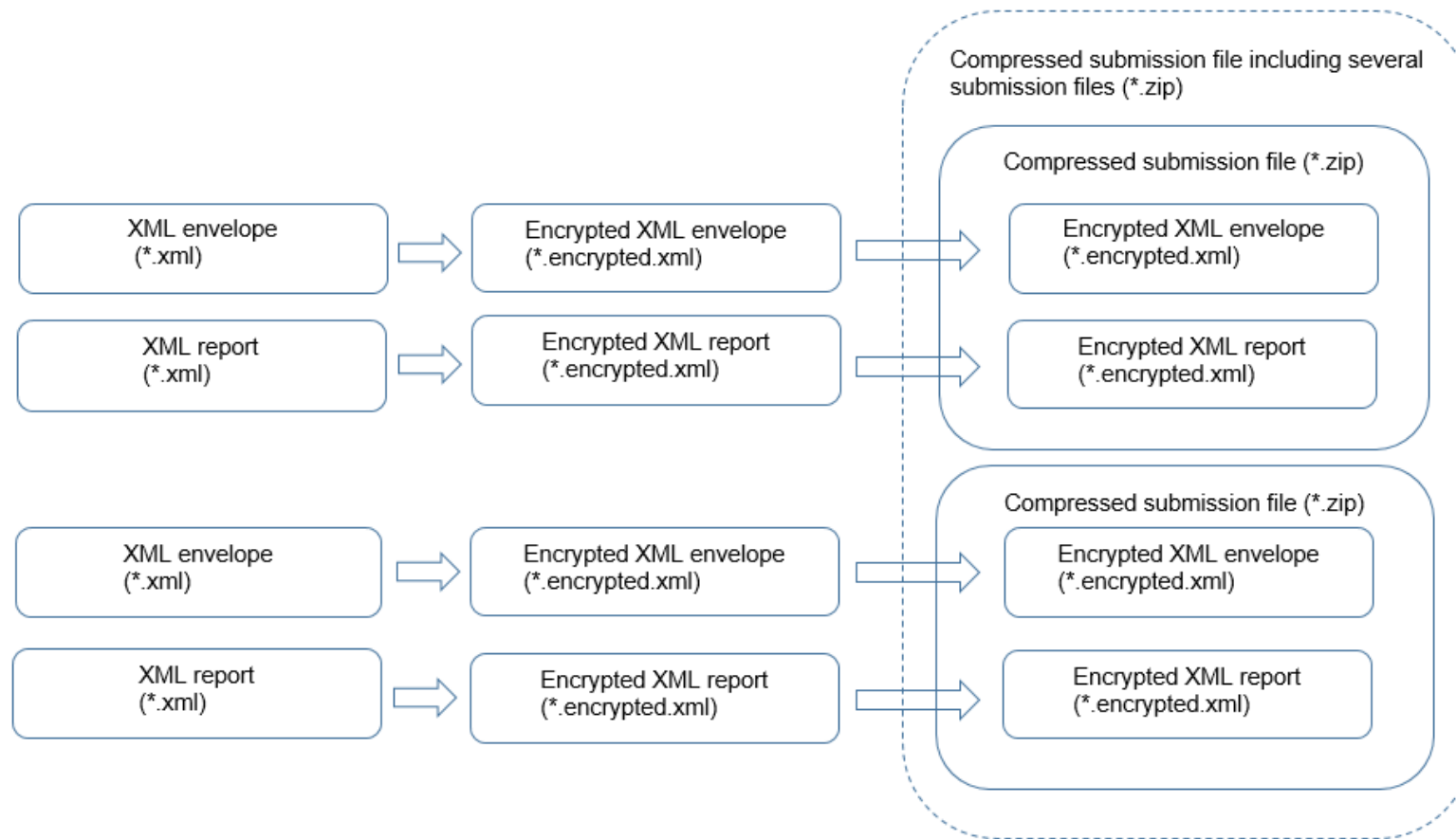
Pre-requisites – how to submit a file to FIN-FSA

- Testing vs. production environment, background
- Essential features
 - How to create a submission file
- The envelope report and the **zip-compressed report must be encrypted** before compression into a submission file (*.zip)
- For encryption
 - You can use the BOFCryptNxt program, which can be downloaded from the Jakelu Distribution Service. Encrypted files must have the file extension ".encrypted.xml"
- More information, see: STT reporting – Description of electronic reporting (3 May 2019)
https://www.finanssivalvonta.fi/globalassets/en/reporting/description-of-electronic-reporting/stt_description_of_electronic_reporting.pdf

Structure of a submission file

- A submission file - must be compressed into a zip file, consists of two parts:
 1. an encrypted XML-format envelope (meta data and basic identification data) and
 2. a zipped and encrypted XML- report, which includes the actual data.
- The package submitted to FIN-FSA can include several separate zipped submission files, or the zipped submission files can be compressed into a zip file to be submitted to FIN-FSA (see Figure 1.).

Structure of a submission file



Structure of an envelope

- FIN-FSA requires a separate XML envelope
- The envelope consists of the following parts:
 - XML namespace specifications
 - meta data specifications
 - basic header specifications
- XML name space specifications, meta data specifications, basic header specifications...
- See https://www.finanssivalvonta.fi/globalassets/en/reporting/description-of-electronic-reporting/stt_description_of_electronic_reporting.pdf

Structure of STT report

- Essential features:
 - Form of the XML schema files and the content integrity requirements included in ESMA's technical reporting guidance
 - More detailed template descriptions based on the information content of the reporting obligation are available in www.ISO20022.org site [Message Definition Report - Part 2](#).

Naming convention –unique identification of reports

- The reported files should be named as follows:
 - envelope
 - header_<module>_<typeofreportinginstitution>_<reportingentityId>_<period>.xml
 - encrypted envelope
 - header_<module>_<typeofreportinginstitution>_<reportingentityId>_<period>.encrypted.xml
 - STT report
 - <module>_<typeofreportinginstitution>_<reportingentityId>_<period>.xml
 - encrypted STT report
 - <module>_<typeofreportinginstitution>_<reportingentityId>_<period>.encrypted.xml
 - submission file
 - container_<module>_<reportingentityId>_<period>.zip
 - submission file including several submission files
 - <STT>_<id>.zip

Typical errors – file validation errors

- **Business rule:** The ESMA system will perform XML validation of the received file against the commonly agreed XSD schema, conforming with the ISO-20022 standard. If an error is identified during file validation, the processing stops, all records contained in the submitted file are rejected and a feedback message explaining the
 - TRI section 3.1 – Paragraph #30
 - List of file validation rules: TRI section 6.1 (Annex I)
- **Business rule:** The ESMA system will perform automated data quality checks.
 - TRI section 3.1 – Paragraph #34, #35, #36
 - List of content validation rules: TRI section 6.2 (Annex II)

How to understand a feedback file

What to do if something is not working as expected (getting help from the FIN-FSA)

- If you have any further inquiries, please send them to **STTHelpdesk[at]finanssivalvonta.fi**.