



## Step 3 of the new solution for securities transfers - Documentation

### Background

In late 2022, the Danish market introduced matched transfers, moving away from the previously used unmatched dumps. At the same time, four transaction codes were introduced to identify the different categories of transfers.

In this next step, the Danish market wants to replicate these changes – so far only introduced in the Danish legacy settlement system – to T2S. The general agreement is that if one party to the transaction wishes to take place on T2S, it shall take place on T2S.

All the steps and thus also this documentation concerns transfers. The settlement of trades – whether or not it involves a cash leg – is not part of this documentation.

To a large extent, the logic used in the national settlement system will also be used for the T2S transfers, e.g. which transaction codes are used for which kind of transfers. Some aspects, however, need to be changed, as some functionality only applied to the national settlement system (change of beneficial owner) whereas other functionality only applies to T2S (corporate action on flow).

Also, the way that Euronext Securities Copenhagen (ESC) sets up its members influences the way transfers can be made in T2S. Concretely, to settle on T2S as an ICP through ESC, every member must have the role of “Fondshandler”. Even if that is not a term known by T2S, it is a prerequisite for the model used to transfer securities on T2S when doing so through ESC.

In its original plan for the harmonization of the Danish post-trade area, the Post Trade Steering Group (PTSG) under Finans Danmark (FIDA) foresaw an implementation on T2S of the transfers related to portfolio movements and corporate actions (the flows associated with the transaction codes PORT and NSYN) separate from the implementation on T2S of the flows associated with payout or redemption of mortgage loans (the flows associated with the transaction codes PLAC and OWN1). In late 2023 it was decided to merge the two implementations. The Board of Directors of Finans Danmark approved at the meeting on June 10, 2024, the recommendation that step 3 is implemented on October 27, 2025.

**FINANS  
DANMARK**

### Notat

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This document shall form part of ESC's Rulebook and as such be a formal part of the standards for settlement and transfers in the Danish market.

### **High-level description**

Step 3&4 are based on all participants acting in the capacity as "Fondshandler". Again, this is not a T2S attribute, but it is a prerequisite for the underlying settlement model when accessing T2S through ESC. This documentation covers all combinations of transfers to/from omnibus accounts and single investor accounts.

It has no bearing on the nature of the safe custody account between which the securities are sent and received. The sending and receiving accounts can be mirrored into any of the ESC safe custody account types (PR, FH, UI, SK).

### **Notat**

The key to the model is that the sub-ident fields – the only free text fields available across all formats and uses - are used to transmit the customer's account number (for PORT & NSYN transfers), respectively the mortgage institution's account for issuance and redemption of mortgages as well as the loan number (for PLAC and OWN1 transfers).

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The documentation is based on screenshots from VP-online. We are fully aware that only few instructions are generated through VP-online, the vast majority coming through automated communication flows (using ISO15022/2022 or proprietary formats). However, VP-online is the common platform for all members and can thus be used as a guide for how the automated communication flows should be adapted and used.

### **Limitation of scope**

The following items have been discussed in the working group but are considered out of scope:

The field "Change of beneficial owner" (retmæssig ejer) can be populated by AFPI. AFPI can indicate Y/N which will be received by MOPI. AFPI can also indicate NONE and then the field will be empty.

The field "register by name" (navnenotering) can be sent with a T2S instruction but is not received by MOPI. Name registration will be a matter for the receiving bank.



The settlement of trades – whether the bank is acting under a discretionary mandate (handelsfuldmagt) or not – is outside the scope of this documentation. Even if the settlement uses a FOP to affect the transfer, it should be using the transaction code TRAD indicating that the transfer serves the purpose of settling a trade. As mentioned above, this document only concerns the transfer of the four transaction codes, not the settlement of trades.

Any internal transfer of securities between accounts in the same institute is in principle outside the scope of this project. Participants can use transfers or FOPs as they please. However, to the extent that a participant wishes to use FOPs as the way to affect internal transfers, these FOPs should use the protocol for transaction codes developed in this project. Which of the four transaction codes the individual participants use for which kind of internal transfers is irrelevant for this project. It is, however, important, that no other transaction codes are used as this can jeopardize Euronext's own use of transaction codes.

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### Initiating an instruction

When initiating an instruction in VP online, the sender must first set "Type of settlement Instruction" to "T2S"

Then the following fields must be filled out:

#### Under "**Part 1 Information**"

**Traded with participant ID** should always be filled if – and only if – the account to which the securities are sent from are of the type "Fondshandler-depot". This will typically be the case when a bank sends mortgage bonds to a mortgage institute under "OWNI".

**Account controller** – identifying the counterpart initiating the instruction (sending member)

**VP securities account** – identifying the account at the initiating counterpart from which the securities should be taken.

**Trade date** – must be filled and cannot be earlier than today's date except for corrections (see chapter on corrections) which can be earlier.

**Settlement date** – depends on the business situation:

- For mortgage loan payouts (when using PLAC as Transaction Code) – the general rule is T+0



- for mortgage loan redemptions<sup>1</sup> (when using OWN1 as transaction code)
  - the general rule is T + min. 0, but if an error has been made and needs to be corrected, the correction will generally settle T+0 (see chapter on corrections)
- for moving the portfolio of a customer to another custody bank (when using PORT as transaction code) – the general rule is T+2<sup>2</sup>
- for corporate events, incl warrants, employee shares et al (when using NSYN) as transaction code, the general rule is T+0. However, in order to ensure that corporate actions related to listed shares settle outside the opening hours of the exchange, such instructions should at least be made with a T+1 settlement date with the aim of having them settle in either batch 10 or 30 – the first two batches of the settlement day and the only two running outside the opening hours of the exchange.

NB:

When settling T+0, instructions must be sent at 14.45 at the latest on a given business day for PLAC and OWN1. For PORT and NSYN we agree on a 16.30 cut off. It is suggested that any penalty arising from T+0 instruction being sent less than 15 minutes before the agreed deadlines should be paid by the sending counterpart. As it may take a bit of time for instructions to flow through the system, the receiving party is obliged to match instructions received until 13 minutes before the deadlines.

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Furthermore, when settling in a situation where the general rule is T+2, the settlement period can always be shortened if both counterparties agree<sup>3</sup>. In practice, the sending institute can suggest shorter settlement, and the receiving part can accept or reject.

Please also note that no matter the business situation, settlement date can never be set in the past.

Finally, please note, that settlement of the FOPs – irrespective of transaction type – follows the DKK settlement calendar even though there is no cash settlement involved.

**ISIN** – to identify which securities are to be transferred

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<sup>1</sup> Prepayment of loans by delivering the underlying bonds financing mortgage loan to the mortgage bank.

<sup>2</sup> Expected to change to T+1 on 11 October 2027

<sup>3</sup> It is proposed that agreement on shorter settlement is made e.g. in E-engagement.



**Quantity face amount** – to tell how many of the security in question must be transferred

Check “**Deliver**” – This must always be the case for the instructing counterpart. That way, everyone can save building logic to reject incoming “Receive” instructions, which would amount to direct debit.

NB: **Cash amount** must never be filled out

**Corporate action on flow always tick off NOMC (No automated Market Claim)**

BSSP (a field made in preparation for buy-in procedures which were never implemented) should not be ticked off

ADEA only applies to settlement of trades (with money) and should not be ticked off

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**Under Part 2 – information sub-ident**

- for PLAC & OWN1 transfers, this must always<sup>4</sup> be filled with the loan number of the concerned mortgage (lånesagsnr). When returning, the sending part can add “Returnering” before the loan number – this is not mandatory.
- for PORT & NSYN, the field should be empty

**Under “Counterpart 1”**

**Traded with participant ID** should always be filled with either the BIC or CD-ident of the receiving party.

**Securities account controller ID** – should not be filled out

**Under “Counterpart 2”**

**Sub-ident** – must be used to identify the account number of the receiving party to which the securities should ultimately be delivered.

When sending a “PORT” or “NSYN”, this field can either contain an account number of a customer or the receiving part’s own account. In the (rare) case of returning a “PORT” or “NSYN”, preceding bilateral communication will determine if anything should be filled out in this field.

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<sup>4</sup> In the exceptional case, where the two parts to the transfer agree bilaterally to conduct a “aggregate transfer”, i.e. a transfer in one mortgage bond covering several loans, the loan numbers should not be included.



When sending an "OWNI"; this field should contain the mortgage institution's account number for issuance and redemption. When returning an "OWNI"; the field should be left blank

When sending a "PLAC", the field should contain the account number of the receiving part.

#### Under "**General information**"

**Partial settlement** – should be filled with NPAR (no partial settlement)

**Settlement Transaction Type:** This must be filled out with OWN1, NSYN, PLAC or PORT, depending on the reason for the instruction.

PLAC – for mortgage loan payouts (udbetaling af realkreditlån)

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OWN1 – for mortgage loan redemptions (indfrielse af realkreditlån)

PORT – for moving the portfolio of a customer to another custody bank (portefølgeflyt)

NSYN – for corporate events, incl warrants, employee shares et al. (særlige aktieudstedelser og andre corporate actions)

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Please note that there will be a limited number of other historic uses of dumps (passive match), that do not fit the four cases mentioned above (e.g. gifts, inheritance, bankruptcies, placing & retrieving of collateral). It is suggested to use PORT for any such exceptions. If any such exceptions necessitate faster settlement than the standard T+2, please notify your counterpart unless you have a standing bilateral agreement on the handling of this particular kind of exception(s).

#### How to handle errors and corrections

We distinguish between two general kinds of error-handling: Errors discovered before settlement and errors discovered after settlement.

For errors discovered before settlement, the first thing to do is for the sending counterpart to cancel the erroneous instruction. This cancellation should be matched automatically by the receiving party (see chapter below). Once the sending party has received acceptance of the cancellation, the sending party can proceed with a new instructing. How to do so depends on the situation:



For mortgage redemption, you simply create a new instruction with an amended settlement date<sup>5</sup>.

For portfolio movements, you create a new T+2 instruction, and in this particular case, T may be before today<sup>6</sup>.

For errors discovered after settlement, the instruction can obviously not be cancelled as it has settled. Instead, the receiving counterpart must make a new instruction returning the securities. To do so, the same transaction code as in the original incoming erroneous instruction should be used.

When instructing to return securities received erroneously, T+0 should be used as standard without the need for mutual agreement between the two parties, unless it is the return of mortgage bonds under "OWNI" where dialogue with the receiving bank previous to the return is encouraged.

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Please note that the receiving part may also cancel a previously matched instruction before settlement, e.g. if it contains a security that the receiving part does not wish to have in custody, or if it does not fit with the target market of the customer in question. If so, the receiving part wishing to cancel the instruction before settlement should contact the sending part. As a general rule, this should not happen later than at 14 on S-1.

When cancelling an instruction, it is important not to do so before the initial instruction has been accepted by Euronext Securities, i.e. before it attains status 16. If you cancel an instruction before the initial instruction has been acknowledged by the system, the receiving party may receive the cancellation before

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<sup>5</sup> Recall that for the OWN1 flow, settlement may be some time in the future, i.e. T+ more than 2.

<sup>6</sup>If you instruct on Monday (T) for settlement on Wednesday (T+2), and you then discover an error on Tuesday, the sender cancels the original instruction. The sender then creates a new instruction where T remains Monday and settlement on Wednesday. This puts T in the past and effectively amounts to a T+1 settlement. Conversely, if the error is discovered on Wednesday and the original instruction cancelled, the new instruction will keep T on Monday and settlement on Wednesday, which in this case corresponds to a T+0 settlement. When instructing these shorter settlement cycles, used when correcting errors, we have agreed that you do not need to contact the receiving part in advance even if you violate the general T+2 settlement cycle for PORT transactions. However, as always when you instruct T+0, you need to respect the agreed cut-off time for T+0 instructions. If we arrive on Thursday and the instruction has been matched but has failed to settle and needs to be corrected, the original instruction should be cancelled and a new instruction made. In this case, T may be kept on Monday, but settlement can no longer be on Wednesday and so must be extended at least to Thursday, possible later depending on the reason for the failure to settle.



the instruction and can therefore not match the cancellation. This has proved to be the case a number of times relating to OWN1 transfers in particular. In other cases, e.g. if the receiving party wishes to reject a transfer after having accepted it bilateral communication between the parties is required.

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## Create T2S Settlement Instruction

Type of settlement instruction  T2S  VP  
 Type of transfer  VP to T2S  T2S to VP  VP Internal  T2S Intra position movement

**Optional information for create instruction**

**Part 1 Information**

Sender reference   
 Traded for participant ID  or BIC   
 Securities account controller ID  or BIC   
 VP securities account   
 Trade date \*    
 Settlement date \*    
 ISIN \*   
 Quantity face amount  Quantity units   
 Securities movement type code \*  Deliver  Receive  
 Sub balance, restriction type   
 Sub balance reference   
 Settlement amount   Credit  Debit  Currency  Not selected  
 T2S DCA   
 Non-Settlement part cash account reg. nr.  Cash account   
 Counterpart non-participant cash account reg. nr.  Cash account

**Part 2 Information**

Sub-Ident BIC   
 Sub-Ident identification  Issuer code  Scheme Name   
 T2S securities BIC

**Counter part 0**

CSD BIC

**Counter part 1**

Traded with participant ID  or BIC   
 Securities account controller ID  or BIC

**Counter part 2**

Sub-Ident BIC   
 Sub-Ident identification  Issuer code  Scheme Name   
 T2S securities BIC   
 T2S securities account

**Counter part 3**

BIC   
 Counterpart information

**Part General Information**

Partial settlement   
 Priority   
 Settlement condition:  NOMC  ADEA  BSSP  
 Common reference   
 Party hold  Yes  No  
 Name registration  Yes  No  
 Force through marking  None  Annotation text  Everything  
 Additional details   
 Trade condition   
 Settlement transaction type   
 Change of beneficial ownership  None  Yes  No  
 Place of Clearing   
 Place of trading   MIC   
 UTI reference

**Settlement link indicators**

Link Type   
 Participant ID   
 Sender reference   
 T2S reference

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## **Receiving an instruction**

When receiving, you will first need to find incoming instructions sent to you and then match them for the instruction to be accepted and then settled.

Note that cancellations should be automatically matched by the receiving counterpart. Anything else will lead to increased manual work and delays for both counterparties.

The knowledge that all parties will automatically match cancellations could lead to parties cancelling instructions for other reasons than having discovered an error. We encourage all parties not to exploit this possibility.

## **Notat**

### **Timeline, follow-up and transitional issues**

How to handle instructions made before transition for settlement after transition?

Concretely, the mortgage institutions that wish to keep existing account numbers for the move to T2S account can only do so if there are no pending instructions against the account in question.

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So, if you wish to keep the account number, all transactions against the account must be cancelled, the account moved and all instructions entered anew, and this must obviously be coordinated between the sending and receiving part.

