
MIDCLEAR



Work Procedure Foreign Markets Department

Midclear S.A.L

June 2019

Table of Contents

A. Reporting:

1. End of Month Reports
2. Daily Reports
3. Intra Day Reports

B. Instruction Types:

1. Internal Transactions
 - Free of Payment
 - Against Payment
2. Bridge Transactions
 - Free of Payment
 - Against Payment
3. External Transactions
 - Free of Payment
 - Against Payment
4. Instruction Processing

C. Settlement Cycle:

D. Daily Tasks

E. Regular Tasks and Services

F. End of Month Tasks

A. Reporting:

1. End of Month Reports:

- Ø Retrieve and export the statement of security holdings at each of the ICSD
- Ø Retrieve and export the prices of the security holdings at the end of the month.
- Ø Set up at the end of each month a report that selects all transactions above USD 5,000,000 and screens the total of overnights and services and compare them with the results of the same month at the previous year.
- Ø Match up all security holdings reports between Midclear's solution system and Euroclear Bank as well as Clearstream Banking

2. Daily Reports:

- Ø Retrieve Euroclear Bank and Clearstream Banking daily reports that consists of the statement of transactions, money, pending and allegation
- Ø Retrieve Events reports as well as Income reports and all corporate actions related reports from both ICSD
- Ø Retrieve the funds available report and the securities movement report in order to reconcile with the ICSD reports retrieved earlier.

- Ø Retrieve the statement of account of Midclear Members after the reconciliation and before the closing of the business day.

3. Intra day Reports:

- Ø Real time Cash report through which make possible to monitor throughout the day all credit and debit advices on all accounts.
- Ø Real time Security settlement report that shows all transactions settled, reversed, or blocked.
- Ø Retrieve upon request of the corporate actions department all events related inquiries and reports.

B. Instruction Types:

Transactions can be with or without matching, free or against payment and can be divided into 3 major types:

1. Internal Transactions
2. Bridge Transactions
3. External Transactions

1. Internal Transactions:

Internal transactions are transactions in which both parties of the trade are members of the same custodian. An internal trade can be within Euroclear Bank, Clearstream Banking or even Midclear. Internal trades can be settled up to 14h00 and up to 18h00 in case of a day light indicator for trades in EOC and CBL.

Ø Free of payment (with or without matching):

Internal transfers within the same custodian are called internal custody transfers and are always free of payment; they can be with or without matching. In case of custody transfers within the ICSD an instruction should be sent via Euclid PC or via Creation Online, while within Midclear an internal special format transfer should be filled for non-SWIFT members and an MT542 for SWIFT members.

Ø Against Payment :

Internal Against payment trades are settled on a DVP basis. They can be financed, or they can be settled as back to back trades. These kinds of trades are the cheapest and are settled real time whether within Midclear or the other two ICSD.

2. Bridge Transactions:

Bridge transactions are trades to be settled between Euroclear Bank and Clearstream Banking. Contrary to internal trades, bridges transactions are settled into batches. They should be matched in order to be ready for the next batch of settlement before 13h00 for trades without day light indicator and before 15h30 in case both parties have the day light indicator option.

Ø Free of Payment:

Bridge transfers are free of payment transactions between the two ICSD; they can be with or without matching. For bridge transfers an instruction should be sent via Euclid PC or via Creation Online upon receipt of a letter for non-SWIFT members and an MT542 for SWIFT members.

Ø Against Payment:

Bridge against payment trades are settled on a DVP basis. They can be financed, or they can be settled as back-to-back trades. These kinds of trades are charged more than the internal ones.

3. External Transactions:

External transactions are security instructions that are settled on several domestic markets through the local agents of both Euroclear Bank and Clearstream Banking. External transactions are trades that always require matching except few cases like when receiving some funds. In view of the fact that these trades are on different markets, settling those trades is a very tricky issue due to special cutoff times, different codifications, specific instruction formats and nationality declaration. In case of breaking the market rules, penalties and buy in can be applied.

Ø Free of Payment:

Some free of payment transfers are optional while in some markets it is mandatory to settle trades in a free of payment format like the Russian Market. Moreover, even though those transfers are free of payment they can be reversed in some markets like in DTC and they require matching instructions.

Ø Against Payment:

External Against payment trades are settled on a DVP basis. They should be financed since they cannot be settled as back-to-back trades. These kinds of trades are charged considerably higher than the internal or the bridge transactions and can be reversed.

Below are some standard instructions of the most common markets:

Switzerland:

Receipt:

Counterparty must transfer the securities to: SIS for account **CH100164** in the name of Credit Suisse, Zurich in the name of Midclear **92737**(Beirut-Lebanon).

United States: DTC

Institutional ID number: **26097**

Agent bank ID number: **902**

Internal account number: **G54115**

For further Credit: **92737** Midclear S.A.L (Beirut-Lebanon)

United Kingdom:

The counterparty must deliver to the CREST participant ID “**56XKK**” registered in the name of Euroclear Nominees Limited for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

France, Netherland and Belgium:

The counterparty must deliver to ESES in favor of account **611** in the name of Euroclear bank for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

Finland:

Receipt:

The counterparty must deliver the securities to Nordea Bank Finland Plc, Helsinki for account **02 2000 2257715 3** in the name of Euroclear Bank for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

Sweden:

Receipt:

The counterparty must deliver the securities to account **01-001 168 593** with SEB in the name of Euroclear Bank for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

Hong Kong:

Receipt:

The counterparty must deliver the securities to CCASS for account **C00019** of HSBC Nominees (Hong Kong) Limited for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

Canadian Market Via RBC:

The delivering bank or broker in Canada must advise RBC that securities are for account T12853091 in the name of Euroclear Bank, in favor of account number 92737 Midclear S.A.L, Beirut Lebanon

Danish Market:

Receipt:

The delivering bank or broker must deliver the securities to VP identification **16100** in the name of Euroclear Bank for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

NB: Need to mention if the deal is broker to broker or broker to private.

Italian Market:

The delivering bank or broker must deliver the securities for account **12934** in the name of Euroclear Bank at Monte Titoli S.p.A. for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

The delivering bank or broker in Italy must have an account in Monte Titoli S.p.A

Spanish Market:

The delivering bank or broker must deliver the securities to Santander's SCLV account registered in the name of "EC nominees Ltd" for further credit **92737** Midclear S.A.L (Beirut-Lebanon).

Greek Market: (multi depositary)

For Bonds and Rights:

OTC: settlement in CSD S.A via Citibank International plc, Athens use **(50048 and BIC + Narrative)**

Exchange: thru ATHEX via Citibank International plc, Athens use **(50048 and BIC + Narrative)**

On the books: when the counterparty has an account with Citibank International use **(50048 and 66311)**

Canadian Market Via DTC:

The delivering bank or broker must deliver the securities to CDS account **5099** in DTC for RBC CUID ACSI with CDS, for Euroclear Bank account **T12853091** with RBC in favor of Midclear account number **92737**

German Market:

Transfer securities to CBF in favor of account **7204** in the name of Euroclear Bank for further credit **92737** Midclear Beirut Lebanon

Clearstream DTC:

DTC acc **908** CITIBANK f/o acc **089154** CEDELBANK FBO acc **80285**

4. Instruction Processing:

Instruction received via letters are input into Midclear Solution first in order to match any instruction received and entered automatically via SWIFT than divided into 4 categories.

- Ø Consists of Euroclear trades that we must input on Euclid Pc. In case of deliveries, instructions will be checked, approved, and released after checking the member's portfolio balance. In case of back-to-back trades, they will be also checked, approved, and released unless the difference between the delivery and the receipt amounts is negative, while receipts are kept aside until the requested settlement date. Receipts processing will be issued in the settlement cycle section.
- Ø Consists of Clearstream trades that are input on Creation Online and treated the same as previously mentioned in Euroclear part.
- Ø Consists of local trades that will be entered into our Foreign markets application for matching awaiting the requested settlement date
- Ø Consists of internal transfers that are entered, checked, and settled according to the value date.

C. Settlement Cycle:

On value date, an MT202 is generated for local transactions via the payment system. These transfers will be checked by the authorizer than another will check if the buyer has enough funds either by the debit of his account or by transferring the funds into our special account on one side, and on the other side will check if the seller has enough balance in his portfolio to settle the trade. Once everything is in place, the trade will be settled and sent to be audited.

As for the cross-border receipts, they will be combined together in order to send the maximum of receipts in minimal cash transfers. An MT200 is generated, and both of the receipts and the cash transfer will be sent to be double checked and released by the authorizer.

The authorizer will check the cash balances as well as the cash transfer and the notice to receive, then will check the entry of the receipts on both Euclid PC and Creation Online, as well as the allegation report and release them. The MT200 will be routed simultaneously, and the receipts will be sent to the pending file.

Pending trades should be monitored throughout the day and reflected in our books. Giving update to members is an essential task to increase settlement efficiency and reduce the number of failed trades. Settled trades are directly settled into our application. In case of deliveries, cash transfers should be produced. An MT210 is generated and a WT202 is keyed into Euclid Pc either into Creation Online.

The authorizer will check if the trade is irrevocably settled and without cash differences than will check both the WT202 and release it as well as the Notice to Receive and route it. In case of cash sent to other than Banque du Liban no Notice to Receive to be generated. Furthermore, in case the member will credit our Clearstream

or our Euroclear accounts, he will have to send us the transfer via fax and should be checked by the authorizer before releasing the instructions.

Back-to-Back trades which the difference between the selling and the buying amount is negative will have the same cycle as the receipts, while Back to Back trades which the difference between the selling and the buying amount is positive will have the same settlement cycle as the deliveries.

Once the trades are settled and the cash routed for deliveries, the trades are audited to check if the reflection in our books is typical to the one in the reports of Euroclear Bank and Clearstream Banking. They are dually signed and sent via letter for members not having SWIFT and via SWIFT for members having this facility.

All security transactions, cash transfers and related confirmations are indexed per member and per month in separate files; then at the end of each year they are grouped together into large boxes and sent to the safe to be kept for 10years as per the Lebanese laws.

D. Daily Tasks:

A regular business day starts usually by reconciliation. It is mandatory to check all cash and security movements and balances of the previous day before starting a new business day. As per the reporting section all cash and securities reports retrieved from our application are to be reviewed to match those of Euroclear and Clearstream.

Within the day, it is required to monitor all pending trades and to give members assistance in all business-related topics. This may vary between help in instructing via SWIFT, trades status updates, cancellation of trades, external settlement standard instructions and follow up of pending cash transfers or failed trades...

It is also essential to keep an eye on cash balances and to have intra day cash reconciliation in order to minimize the risk of overdraft at the end of the day or pay penalties for unconfirmed pre advices.

As well, it is the duty of the foreign markets department to key in, check and release cross border cash transfers related to coupon payment received from the Corporate actions Department

Additionally, the foreign markets department became responsible for settling all BLOM PETRA BALANCED FUND trades. Due to difference in working days and in holidays, BLOM PETRA has now a different calendar code that needs the same daily process in order to start a new business day just like Euroclear Bank and Clearstream Banking's calendar.

BLOM PETRA trades are received via e-mail in an excel format. They are uploaded into the system and then compared with the hard copies received via fax; in case of no discrepancies, they are directly routed.

It is also one of the daily duties to retrieve new securities, counterparties and all info related to the business in order to feed our application so it may reflect later on the same data as per Euroclear Bank or Clearstream Banking's reports.

At the end of the day and after the last intra day cash reconciliation, an overnight placement can be done if one of our account's balances exceeded USD 1 Million.

An overnight in Clearstream is usually done via e-mail and a confirmation should be sent the next day via Creation Online or Via MT599, while a simple phone call would do the job when it comes to an overnight placement in one of our Euroclear accounts.

E. Regular Tasks and services:

Regular tasks are tasks that are executed several times but not on daily basis. It includes:

- Ø Special Reports upon the member's request, it may be a cash movement report or security movement or their portfolio holdings at a required date. Those special reports are charged and should be signed and stamped.
- Ø Foreign exchange service which is a service provided by Midclear to its members in order to settle trades in exotic currencies like AUD, SEK, ZAR The needed time to do the exchange may vary depending on the currency and on the working days (example Friday is not a working day in AED)
- Ø Issuing claims and following up pending claims with members. Those claims are usually claims related to the overdraft of their account or difference in cash of their settled transactions. Claims are sent via e-mail then printed and filed in the claim's file. Claims resolved should be stamped "DONE" and returned to the file.
- Ø Resolving pending cases and follow up with Clearstream help desk or Euroclear help desk
- Ø Less frequently our department is responsible sometimes for testing new systems, detecting malfunctions in addition to daily suggestions of ways to improve the systems and increase its efficiencies, and improving some old working procedures.
- Ø Midclear also provides its members a dematerialization service for international stocks and bonds. Certificates should be first received and checked to see if the certificates received are true. Then a dematerialization transfer form should be filled and signed by the final

beneficiary. A cover letter should be filled as well mentioning the number of shares, the number of the certificates, the final beneficiary's name and the account number in which to receive the book entry balance and finally signed by the general manager. The cover letter, the transfer form and the certificates should be combined and sent to one of Euroclear's correspondents (depending on the issue)

- Ø Due to the fact that our department is operational during official Lebanese holidays and due to the fact that Midclear is closed, auditing transactions and reports becomes one of the duties added to our department. Transactions at the end of their settlement cycle are audited, matched up with related reports and signed in case of letters or sent via SWIFT

F. End of Month Tasks:

At the end of each month, many tasks are to be completed. Some are for internal use and others for Midclear members.

Billing is a very important procedure because it gives the department a clear idea of the revenue related to all the tasks done during the month. It is done via the invoicing application in our Midclear Solution System. Cash and security instructions are charged automatically, while other things like special reports, dematerialization, and special accounts are charged manually, in addition to events charged by the corporate actions department.

Each and every member having a positive balance in one of our accounts in Euroclear or Clearstream at the end of the month will have a cash statement generated manually, either via SWIFT or via letter stamped and dually signed after being checked.

Contrary to daily checking of security movements throughout the day, it's mandatory to check all our portfolio balances in both Clearstream and Euroclear at the end of the month in order to be more sure of the lack of any discrepancies between the balances in our local application and the ones with our two ICSD.

It is also mandatory for internal use to produce a report to the general manager stating all cross-border transactions done and with a nominal of over USD 5 Million, as well the sum of services should be also mentioned and compared with last year's sum of services without disregarding the overnight placement amounts if any. It is also ideal to compare results of the current trimester with the same trimester of the year before.