

[B]³

PRE DELIVERY CYCLE FOR CASH EQUITIES



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Large volume of settlement instructions have balance before the 11 a.m. Delivery Cycle for Cash Equities



CONCEPT

- Beginning on the morning of T+2 and before the 11 a.m. delivery cycle, pre cycle rounds of settlement of debit cash equities instructions will be processed, where instructions with a balance at the depository will be settled early.
- Debit Delivery Cycle at 11am will be maintained as the last attempt at settlement and delivery failure determination (current mode).
- Settled Equities Cash Debit instructions in pre cycle processing are disregarded from the 11 a.m. Debit Delivery Cycle.



ANTICIPATED BENEFITS

- With the delivery of equities cash in the pre cycle, it will be possible for participants to anticipate processes.
- Reduced processing time for the 11 a.m. Debit Delivery Cycle.
- It is estimated that 90% of the instructions can be settled early.
- In a future phase, debit instructions on collateral finality will be part of pre cycle and will allow for recalculation of margin due to delivery of cash equities in collateral in pre cycle processing.



AMENDMENTS

- At each round, the settled instructions will be updated in the RTC and will be reported using the new message: b3.283.
- Breakdown of partially settled instructions. New instructions created (with the outstanding quantity) will be sent in the existing BVBG.019 file.
- Finality change and custodian acceptance will not be processed during pre cycle.
- Instructions that have already been settled cannot have their finality changed or their custody rejected.
- Participants and Custodians that do not wish to enter the pre cycle must inform B3 of their restriction, otherwise they will be part of the pre cycle processing.

Messages and files currently in use will not be mandatorily changed.

PRE DELIVERY CYCLE FOR CASH EQUITIES



Pre Cycle rounds:

- Only debit instructions for cash equities with previously executed custodian acceptance are considered.
- Finalities that are part of the cyclical processing in this phase*: 21016, 21059, 21946, 28010, 26018, 24090, 27014, 22012.
- Instructions originating from T+0 Securities Lending will not be part of the pre cycle.
- In pre cycle, the system will compensate instructions with the same settlement date, same instrument, opposite natures, same settlement chain (participant, custodian and custody account) and compensating finalities. Compensated instructions are updated as settled;
- After this step, Clearing verifies the sufficiency of the balance in the Depository for the debits not yet settled:
 - The balance is transferred to the Clearing account, which will inform of the updated settlement instruction by sending a new message.
 - If there is a partial balance, the quantity satisfied is updated as settled in the settlement instruction. For the pending quantity, a new settlement instruction is generated for the remaining portion, informed through file BVBG.019.
 - If there is no balance, the instruction remains New awaiting another pre cycle or 11h debit delivery cycle.

* Future phase (to be announced in due course): planned inclusion of instructions in finalities 23906, 25020

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At the 11 a.m. Debit Delivery Cycle:

- The current processing remains.
- Triggering a mandatory securities lending, determining which creditors will no longer receive the cash equities, failure to deliver, fines, etc.
- Sending the complete BVBG.018 (Settlement Result) file with the final settlement result (pre cycle + 11a.m. debit delivery cycle).
- Settled positions (including instructions that participated in the Pre Delivery Cycle) at the end of the 11 a.m. Debit Delivery Cycle.
- No impact on Sinacor version.

PRE DELIVERY CYCLE FOR CASH EQUITIES

Files and Messages

The message/archive catalog is in the support material on the customer site::

https://clientes.b3.com.br/en_us/roadmap/about/diluted-equities-delivery-window.htm



New message

- B3.283 is the new message sent to the participants with the settlement result of cash equities in the Pre Delivery Cycle.



Existing Files/Messages

Settlement

- Admi.004 - Reports start/end of delivery settlement: Pre Cycle, 11 a.m. Debit Delivery Cycle, Credit Delivery Cycle
- BVBG.19 - Reports settlement instructions
- BVBG.018 - Reports result after 11 a.m. Debit Delivery Cycle: Debit Delivery Cycle and Credit Delivery Cycle


Custody

- BVBGs/ARQs movement: 129/130 and CMVC (after the end of the debit and credit settlement cycle)
- Movement of pre delivery cycle itself: online movement messages (CBL0507/CBL0550/SEMT.017)
- Balance: CSGJ (after the end of the credit delivery cycle)
- Balance inquiry: request a CBL0505 and the custodian replies with CBL0505R1 with the positions


PRE DELIVERY CYCLE FOR CASH EQUITIES

Example 1 - Full Settlement in the pre cycle

Initial Situation Instruction 1234-X | V | 1000 qty | finality 21016 | Regular

 Pre Delivery Cycle

Balance: 1000qty

Instruction ID	Prv Instruction ID	Credit/Debit	Net Quantity	Finality	Status	Disclosure
1234-X		D	1000	21016	Settled	

Instruction updated for settled

 BVBG.019 file

 Instructions settled in pre cycle (new message: b3.283)

PRE DELIVERY CYCLE FOR CASH EQUITIES

Example 2 - Partial Settlement in the 1st Pre Cycle and Full Settlement in the 2nd Pre Cycle

Initial Situation Instruction 1234-X | V | 1000 qty | finality 21016 | Regular

1st Pre cycle*

Partial balance on depository (600qty)

Instruction ID	Prv Instruction ID	Credit/Debit	Net Quantity	Finality	Status	Disclosure
1234-X		D	600	21016	Settled	
89101-X <i>(NEW!)</i>	1234-X	D	400	21016	New	

New Instruction generated with the settled quantity

New Instruction generated with the quantity to be settled in the next cycle or 11 a.m. settlement cycle.

2nd Pre Cycle*

Balance in the depository to meet the rest (400 qty)

Instruction ID	Prv Instruction ID	Credit/Debit	Net Quantity	Finality	Status	Disclosure
89101-X	1234-X	D	400	21016	Settled	

Instruction updated for settled

BVBG.019 file

Instructions settled in pre cycle (new message: b3.283)

* Merely illustrative. Treatment applicable to any pre cycle

PRE DELIVERY CYCLE FOR CASH EQUITIES

Example 3 - Compensation and Settlement in the Pre Cycle

Initial Situation

Instruction 1234-X | D | 1000 qty | finality 21016 | Regular

Instruction 8976-Y | C | 600 qty | finality 21016 | Securities Lending

Custody Balance: 100 qty

Pre Delivery Cycle

Settled by compensation (A) : 600 qty | C and D

To be settled by the depository: 400 qty | D

Instruction ID	Prv Instruction ID	Credit/Debit	Net Quantity	Finality	Status	Disclosure
1234-X		D	700 (600+100)	21016	Settled	
45687-X (NEW!)	1234-X	D	300	21016	New	
8976-Y		C	600	21016	Settled	

New Instruction generated with the settled quantity

New Instruction generated with the quantity to be settled in the next pre cycle or 11 a.m. debiti delivery cycle.

Instruction updated for settled (by compensation)

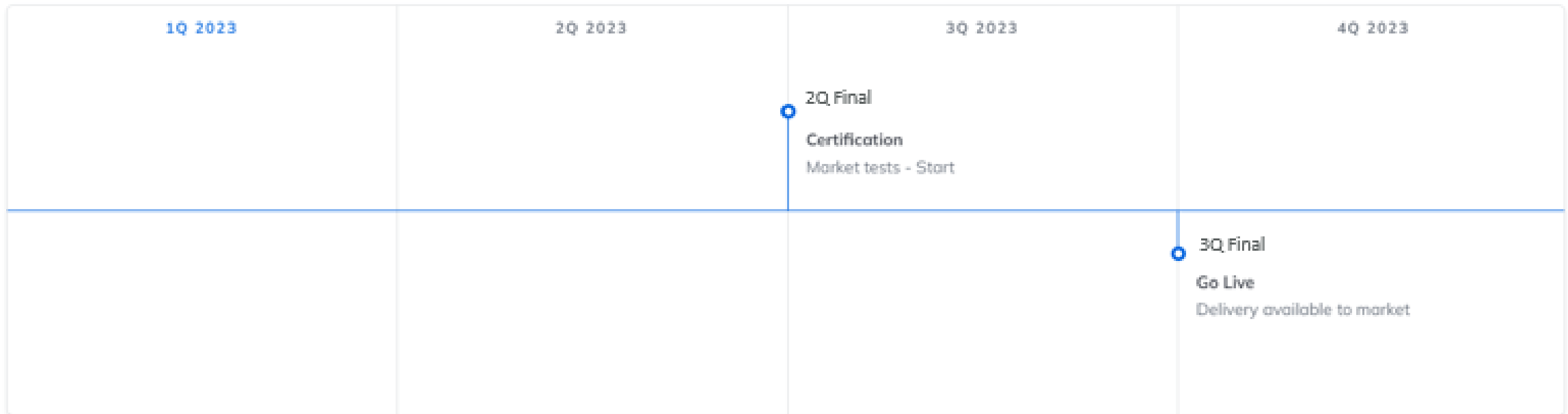
(A) Compensation considering same settlement chain, same instrument and settlement

BVBG.019 file

Instructions settled in pre cycle (new message: b3.283)

PRE DELIVERY CYCLE FOR CASH EQUITIES

Timeline



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Benefits, timeline and technical details:

https://clientes.b3.com.br/en_us/roadmap/about/diluted-equities-delivery-window.htm

Share your doubts:

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