

perago:csd

A Central Securities Depository (CSD) system is a key component of a modern financial infrastructure. Applied to government securities, such a book-entry system becomes an important tool in the hands of the central bank, treasury or market infrastructure provider to administer the issuing of government securities and central bank instruments and to support credit extension in the RTGS against eligible collateral.

The Perago solution

Perago:csd is designed to fulfil a need in emerging economies for a **reliable, secure and easy-to-use book-entry** system to enable the issuing and management of securities.

The system takes cognisance of the requirements of Central Securities Depositories (CSDs), commercial banks and other financial market role players, in particular central banks responsible for issuing and managing government securities and central bank instruments. The system also **meets the international standards** including the recommendations of the International Organisation of Securities Commissions (**IOSCO**), the Group of Thirty (**G30**) and the Bank for International Settlements (**BIS**).

The Perago:csd system provides for the:

- :: creation of instruments by means of attribute selection;
- :: primary trading of these instruments by means of a configurable auction;

- :: capturing and matching of secondary market trades;
- :: settlement of trades on a SFIDVP (simultaneous, final and irrevocable delivery-versus-payment) basis;
- :: the management of holdings on a centralised and decentralised basis;
- :: the use of instruments for repurchase and collateral purposes; and
- :: distribution of interest and maturity proceeds to beneficial holders of the financial instruments.

The Perago:csd is SWIFT compliant. The system is designed to integrate with the SWIFT network or a private network that supports the multi-protocol, multi-platform IBM WebSphere® MQ messaging middleware. The system incorporates the highest level of **technological independence** possible and utilises only de facto industry standard technologies. Data integrity, security and confidentiality are fundamental to the design.

Key Components

The Perago:csd system comprises a central CSD application, an access and authorisation control module, an administration module, a network interface and front-end applications for **issuers, dealers and custodians** and authorised securities settlement agents.

The central application is modular,

comprising a financial instrument register and various optional modules, which may be added to the basic system to form a comprehensive CSD system.

The **securities settlement** provider (for example, the Central Bank) is provided with an administration module which includes all facilities required to configure and manage the system, including monitoring of the positions of individual CSD participants, total positions, enquiries and statistics.

The **user-friendly browser-based front-end system** for the CSD participants provides all facilities required to interact with the central CSD application. It is further possible to integrate the system with back office systems for straight-through processing (STP) purposes.

Key features

- :: A parameterised primary market auction module that enables the issuer to manage every stage of the auction process, from the day of notification until payment is received from successful bidders and allocation notifications are produced electronically.
- :: Safe custody services are provided on beneficial owner level in an **electronic central holdings register**, catering for an immobilised to a fully dematerialised environment
- :: Provision is made for a **holdings hierarchy**, i.e. holdings can be classified as own or client

holdings, and even further as earmarked for clearing, trade, RTGS collateralisation purposes, etc.

- :: Both centralised and decentralised custody models are provided for
- :: The system permits **authorised securities settlement agents** to provide business services to CSD participants
- :: **Securities settlement optimisation functionality** can be utilised to achieve settlement with the minimum financial instruments
- :: The system can be integrated with the RTGS system, ensuring real-time delivery-versus-payment (DvP model 1) in line with **international best practice**
- :: Participants have real-time access to **monitor their positions**
- :: The system handles a variety of **different transaction types**, such as: *delivery-versus-payment (DvP)* and *delivery free of payment (FoP)*
- :: **Corporate actions**, such as interest payments and redemptions can be automatically calculated and generated
- :: Transactions can be **diarised** for future execution
- :: The Perago:csd system is **message driven** and all communication between the participants, other systems and the various system components takes the form of

electronic messages to suit an environment in which many participants, working on different platforms, can communicate effectively. Messages comply with SWIFT standards

- :: All instructions from participants are registered in the system and a **detailed audit trail** is kept of the processing of the instruction. Instructions are never physically removed from the system, but are rather marked as discarded or flagged as removed, where applicable
- :: Role players are always **informed** of all instruction outcomes as well as all changes made to the system
- :: The system offers **high throughput** and **modern user interfaces** and is designed to facilitate Straight-Through-Processing (STP) and reconciliation with role players' internal systems
- :: The **settlement schedule** can be managed by the securities settlement provider (for example the central bank) and can be fully automated to run on a 24x7 programme, and that makes provision for various cut-offs to reflect industry practices
- :: The **accounting** component includes full adherence to generally accepted accounting principles (GAAP), as well as the ability to interface to the central bank's general ledger and facilities to enable CSD participants

to automatically update their accounting systems

- :: Numerous **enquiries and reports**, which may be customised via parameters, are available to both the system administrator and the CSD participants
- :: Comprehensive functionality to prevent unauthorised access and to ensure **system integrity**.
- :: Secure and efficient management of public debt instruments as well as supporting central bank monetary policy operations
- :: Liquidity support and tight integration with the RTGS system contributes to the reduction of systemic risk in financial infrastructure
- :: Minimised risk associated with the clearing and settlement of securities transactions in line with international best practice
- :: Automation and dynamic interaction with other components of the payment system facilitates the smooth functioning of the financial infrastructure
- :: Comprehensive and accurate record keeping and reporting
Complementary products

Complementary products

Perago:csd can be tightly integrated with Perago:rtgs.