

Settlement Netting

Settlement netting follows on from the introduction of the Central Counterparty (CCP) back in February 2001. Automatic matching (Direct Input) is also an option for participants whether or not they opt into the settlement netting process.

This page gives a brief overview of the netting process along with useful tables showing the different scenarios available and which statuses will be sent back to a Participant and Clearing Member for both gross and net transactions.

Settlement netting allows participants to just have one net transaction for settlement per security per day, irrespective of the number of trades dealt.

In order for gross trades to net they must have the same:

- Clearing Member
- Trade System of Origin
- Settlement Firm
- Settlement Participant and Member Account
- TSO Dealing Capacity
- Currency of consideration
- Stock and Country of Register
- Trade Date
- Intended Settlement Date
- Nationality Declaration

Members can opt into Direct Input functionality. This means that transactions require no manual matching by the Settlement Participant. Members who opt into direct input can have Gross and/or Net transactions automatically matched.

A table of the possible different options available to participants is shown below:

Option	Auto Match Gross	Opted into Netting	Auto Match Net	DI Option*	Allow Settlement Netting
1	✗	✗	✗	X	N
2	✗	✓	✗	X	Y
3	✗	✓	✓	N	Y
4	✓	✗	✗	G	N
5	✓	✓	✗	G	Y
6	✓	✓	✓	B	Y

*Direct Input Options:

B - Direct input for both Gross and Net trades

G - Direct input for Gross trades only

N - Direct input for Net trades only

X - No Direct Input

Description of each Option:

Option 1 - No automatic matching gross or settlement netting

Option 2 - No automatic matching and opted into settlement netting

Option 3 - Automatic matching net and opted into settlement netting

Option 4 - Automatic matching gross and opted out of settlement netting

Option 5 - Automatic matching gross and opted into settlement netting

Option 6 - Automatic matching gross and net and opted into settlement netting