

Discontinuation of Purchase Funding Messages

MT103 & MT198/101 Messages

| September 2025



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High Level Overview

- A few market participants requested the JSE to investigate the possibility of discontinuing funding instructions for cash equities purchases.
- As part of end of day batch processing on T+1 JSE back-office system calculates the total amount that needs to be funded, total amount to fund proprietary purchases and total amount to fund controlled client purchases.
- Brokers' specified funding current account bank funds the Brokers' settlement account based on the amount included in the funding instruction for either proprietary and controlled client purchases.
- Funding instructions (MT198-101 or MT103) are created on T+1 for value date T+3.
- Purchases that make up the total amount on the instruction are reported on the PAUDSW report which is generated on T+1 and the transaction value is for T+3 (settlement of the purchases).
- Funding instructions are received by the banks and banks act on these instructions on T+3 (settlement of the purchases)

Problem Statement

- Participants from all the major banks stated that the funding instruction messages are causing duplicate processing on their side.
- All the banks confirmed that the funding instructions (MT198-101 or MT103) are only settled after the completion of settlement of all trades on the day.
- Nett cash that is left on the brokers settlement account (ZZ or ZP) rarely needs funding.
- Settling the funding instruction messages after settlement has run is causing duplicate processing at the bank as the brokers' settlement account will not require any funding.
 - If the ZZ or the ZP cash balance after end of day settlement is complete and is in overdraft, the overdraft amount does not equal to the amount on the funding instruction.
 - Where the closing cash balance on the ZZ and ZP settlement account is a positive balance, then there is no need to fund either of the accounts at the bank.
 - What is key to all the banks is the nett cash position after settlement run is completed for the day. Any overdraft that is on the Brokers' settlement account is managed between the bank and the Broker.
 - All CSDPs do not have a view of the funding instruction.
 - CSDPs initially required these messages as the banking function was part of the CSDP business, but this has since been changed.

Discontinuation of MT103 Messages

- SWIFT advised all industry participants of the discontinuation of the MT103 message effective 24 November 2025.
- Based on the previous issues raised by major banks, an industry decision was made to discontinue the funding instruction messages that are currently sent to both the Brokers' funding and Brokers' settlement banks (ZZ/ZP) accounts.

Brokers' Bank Impact:

- Generation of funding instruction messages (MT103/MT198-101) to the banks will be discontinued by the JSE.
- Due to the discontinuation of funding instruction messages, the banks will not be required to migrate the current funding instructions to the new ISO message standard which will be implemented 24 November 2025.
- The discontinuation of the funding instruction messages will be aligned to the SWIFT mandated date of 24 November 2025.
- All banks have confirmed the above timeline.

Discontinuation of MT103 Messages

Brokers' Impact:

- Generation of funding instruction messages (MT103/MT198-101) to the banks will be discontinued by the JSE.
- Current JSE processes where the funding amount is calculated at EOD T+1 for both Proprietary and Controlled Purchases funding on the Cash Equities market will still continue.
 - Cash Payment transaction that is currently processed on the funding current account will still be posted on BDA GL bank in the Brokers' books.
 - Cash Receipt transaction that is currently processed on the Brokers' settlement account (ZZ/ZP) will still be posted on BDA GL bank in the Brokers' books.
 - The JSE is aware that the above cash book entries on the above GL bank accounts will result in a bank recon issue as the same will not have been effected at the bank from 24 November 2025.
 - The JSE is busy with the development for discontinuing these cash book entries by Q1 2026.
 - As an interim, Brokers are requested to process reversal of the above entries by using current function, that use BNKOV the cash from ZZ/ZP back to the funding current account daily. The amount to be moved should be the same amount that was funded on the ZZ/ZP settlement GL bank accounts on BDA.
- Reports, i.e. PAUDSW on T+1, which are generated on the back of the funding calculations will not be discontinued.

Purchase Funding Instruction Process

Example is only for a purchase trade on stock a/c BDA transactions from T to T+3

