

**SEC Rule 10B-10 for confirmation of a purchase/sale of a security in the
U.S. Market**

SWIFT standard interim solution for the MT515

Authors: Alexandre Kech
+ 32 2 655 3942
Dennis Goodenough
+1 212 455 1849

Date publication: 1 June 2010

1 Introduction

Confirmations of a securities purchase or sale in the U.S. market are subject to the Securities Exchange Commission ('SEC') (**Rule 10b-10) Confirmation of Transactions Reg. §240.10b-10.**

This section requires broker-dealers to disclose specified information in writing to customers at or before completion of a transaction. The requirements under this section that particular information be disclosed is not determinative of a broker-dealer's obligation under the general antifraud provisions of the federal securities laws to disclose additional information to a customer at the time of the customer's investment decision.

SWIFT Standards has an existing Message Type ('MT') for the confirmation of a securities purchase or sale, the MT 515, that is currently used widely in markets outside the U.S. currently. This document provides instructions on how to use this message in the U.S. market so that it is Rule 10B-10 compliant. In all cases, it is up to the broker-dealer or sell-side party to correctly provide and populate this information into the MT 515.

You will find in this document:

- 1) Rule 10B-10 broken out by requirement;
- 2) Description of fields available in the MT 515 that correspond to each requirement;
- 3) For those Rule elements not covered by a specific field in the MT 515, guidance on codifying field 70a so that these elements may be 'machine readable.'

Table of content

1 Introduction.....2
 Table of content.....3
2 SWIFT FIN messages4
 2.1 MT 5154
3 SWIFT Standards recommendation5

2 SWIFT FIN Messages

2.1 MT 515 – Scope¹

This message is sent by an executing party, for example, a broker-dealer, to an instructing party, for example, a client, or its authorised representative.

This message is used to confirm the details of a purchase or sale executed by the executing party on behalf of the instructing party. It is also used to provide details on the payment side of the transaction.

It may also be used to:

- Request the cancellation of a previously sent client confirmation
- Re-send a client confirmation previously sent
- Provide a third party with a copy of the message (be it the confirmation or request for cancellation) being sent.

Where legally accepted, this message serves as an electronic contract note with is legally binding on both parties.

Where a block trade has been executed and allocation instructions provided, one client confirmation must be sent per allocation.

This message may be sent directly or via an ETC service provider between parties to the trade. It may also be sent as a copy from the instructing party and/or executing party to their respective custodians, to provide settlement information where an agreement to this effect exists.

This message must not be sent by an ETC service provider to a custodian.

¹ Source: The SWIFT User Handbook

3 SWIFT Standards recommendation

Rule 10b-10 Info Disclosure Requirements with the SWIFT MT515 Message Type

Note: This table summarizes only the information required to be disclosed on a confirmation by Exchange Act Rule 10b-10(a), and does not summarize any other requirements applicable to confirmations under the Exchange Act, the rules of the Municipal Securities Rulemaking Board, the rules of any self-regulatory organization or otherwise.

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
(a)	<i>Disclosure Requirement.</i> It shall be unlawful for any broker or dealer to effect for or with an account of a customer any transaction in, or to induce the purchase or sale by such customer of, any security (other than U.S. Savings Bonds or municipal securities) unless such broker or dealer, at or before completion of such transaction, gives or sends to such customer written notification disclosing:	N/A	N/A

² If a work-around uses a formatted field 70a to provide additional information, each piece of additional information should be provided on separate lines.

Rule 10b-10 Requirements		Coverage	
		Field or work-around²	Comments
(a)(1)	Date and time of the transaction (or the fact that the time of the transaction will be furnished upon written request to such customer)	a) Sequence C – Confirmation Details :98C::TRAD//8!n6!n or :98E::TRAD//8!n6!n[,3n][/[N]2!n[2!n]] Or b) :98A::TRAD//8!n	Format option C provides date and time. Option E provides date, time, and optionally fractions of seconds and/or UTC indicator Option A provides date only and market practice is that the time can be furnished upon written request.
(a)(1)	Identity of such security purchased or sold by such customer	Sequence C – Confirmation Details :35B:[ISIN1!e12!c] [4*35x]	For identification of a CUSIP: :35B:/US/12345678
(a)(1)	Price of such security purchased or sold by such customer	Sequence C – Confirmation Details c) :90A::DEAL//4!c/15d d) or :90B::DEAL//4!c/3!a15d	For price expressed as a rate (Discount, Percentage, Premium or Yield) For price expressed as an amount, ie, currency code + price (Actual amount, Premium or Discount)
(a)(1)	number of shares or units (or principal amount) of such security purchased or sold by such customer	Sequence C – Confirmation Details :36B::CONF//4!c/15d	Quantity can be expressed as units (UNIT), face amount (FAMT) or amortised value (AMOR)

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
(a)(2)	<p>Whether the broker or dealer is acting as agent for such customer,</p> <p>as agent for some other person,</p> <p>as agent for both such customer and some other person,</p> <p>or as principal for its own account;</p> <p>And if the broker or dealer is acting as principal, whether it is a market maker in the security (other than by reason of acting as a block positioner); and</p> <p>If the broker or dealer is acting as agent for such customer, for some other person, or for both such customer and some other person:</p>	<p>Sequence C1 – Confirmation Parties :22F::TRCA// AGEN</p> <p>OAGN</p> <p>BAGN</p> <p>PRIN</p> <p>MKTM</p>	<p>Identified in :22F::TRCA as described above</p>
(a)(2) (i)(A)	<p>The name of the person from whom the security was purchased, or to whom it was sold, for such customer or the fact that the information will be furnished upon written request of such customer</p>	<p>Sequence C1 – Confirmation Parties :95a::SELL or BUYR</p> <p>or</p> <p>:95Q::SELL or BUYR//REQU</p>	<p>Depending on the direction of the trade. The format options are P (BIC) , Q (narrative), R (local code), S (alternative ID)</p> <p>Usage of code REQU means that this information is available upon request.</p>

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
(a)(2) (i)(B)	The amount of any remuneration received or to be received by the broker from such customer in connection with the transaction unless remuneration paid by such customer is determined pursuant to written agreement with such customer, otherwise than on a transaction basis	Sequence D3 - Amounts :19A::CHAR//[N]3!a15d	
(a)(2) (i)(C)	For a transaction in any NMS stock or a security authorized for quotation on an automated interdealer quotation system that has the characteristics set forth in section 17B of the Act by a broker-dealer that receives payment for order flow in connection with any transaction: a statement whether payment for order flow is received by the broker or dealer for transactions in such securities the fact that the source and nature of the compensation received in connection with the particular transaction will be furnished upon written request of the customer	Sequence C1 – Confirmation Parties :70E::DECL//10*35X :70E::DECL//PAYM :70E::DECL//COMP	PAYM means that “payment for order flow is received by the broker or dealer for transactions in such securities.” COMP means that “the source and nature of the compensation received in connection with the particular transaction will be furnished upon written request of the customer”

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
(a)(2) (i)(D)	The source and amount of any other remuneration received or to be received by the broker in connection with the transaction: Provided, however, that if, in the case of a purchase, the broker was not participating in a distribution, or in the case of a sale, was not participating in a tender offer, the written notification may state whether any other remuneration has been or will be received and the fact that the source and amount of such other remuneration will be furnished upon written request of such customer	Sequence D3 - Amounts :19A::4!c//[N]3!a15d Sequence C – Confirmation Details :70E::TPRO//REMU/10x/CCY15d or :70E::TPRO//REMU/REQU	4!c will be the type of remuneration (eg, local broker fee). REMU identifies that what follows is the “source and amount of any other remuneration received or to be received by the broker in connection with the transaction”. 10x will provide the source of the amount in a short descriptive way, followed by the amount (CCY15d) if need be. Usage of code REQU means that this information is available upon request.

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
	If the broker or dealer is acting as principal for its own account:		Identified in :22F::TRCA as described above
(a)(2) (ii)(A)	In the case where such broker or dealer is not a market maker in an equity security and, if, after having received an order to buy from a customer, the broker or dealer purchased the equity security from another person to offset a contemporaneous sale to such customer or, after having received an order to sell from a customer, the broker or dealer sold the security to another person to offset a contemporaneous purchase from such customer, the difference between the price to the customer and the dealer's contemporaneous purchase (for customer purchases) or sale price (for customer sales)	Sequence D3 - Amounts :19A::ANTO//[N]3!a15d	
(a)(2) (ii)(B)	In the case of any other transaction in an NMS stock, or an equity security that is traded on a national securities exchange and that is subject to last sale reporting, the reported trade price,	Sequence C2 – Financial Instrument Attributes :90A::MRKT//4!c/15d or :90B::MRKT//4!c/3!a15d	

Rule 10b-10 Requirements		Coverage	
		Field or work-around²	Comments
	<p>the price to the customer in the transaction,</p> <p>the difference, if any, between the reported trade price and the price to the customer.</p>	<p>e) Sequence C – Confirmation Details :90A::DEAL//4!c/15d or :90B::DEAL//4!c/3!a15d</p> <p>Sequence D3 - Amounts :19A::ANTO//[N]3!a15d</p>	
(a)(3)	<p>Whether any odd-lot differential or equivalent fee has been paid by such customer in connection with the execution of an order for an odd-lot number of shares or units (or principal amount) of a security and the fact that the amount of any such differential or fee will be furnished upon oral or written request: Provided, however, that such disclosure need not be made if the differential or fee is included in the remuneration disclosure, or exempted from disclosure, pursuant to paragraph (a)(2)(i)(B) of this section</p>	<p>Sequence C – Confirmation Details :70E::RSRT//ODDL</p>	<p>ODDL means that : “odd-lot differential or equivalent fee has been paid by such customer in connection with the execution of an order for an odd-lot number of shares or units (or principal amount) of a security and the fact that the amount of any such differential or fee will be furnished upon oral or written request”.</p>
(a)(4)	<p>In the case of any transaction in a debt security subject to redemption before maturity, a statement to the effect</p> <p>that such debt security may be redeemed in whole or in part before maturity</p> <p>that such a redemption could affect the yield represented and that additional information is available upon request; and</p>	<p>Sequence C2 – Financial Instrument Attributes :22F::PAYS//</p> <p>FULL PART</p> <p>Sequence C2 – Financial Instrument Attributes :70E::FIAN//REDM</p>	<p>REDM means that: “such a redemption could affect the yield represented and that additional information is available upon request”</p>

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
(a)(5)	In the case of a transaction in a debt security effected exclusively on the basis of a dollar price: (i) The dollar price at which the transaction was effected, (ii) The yield to maturity calculated from the dollar price: Provided, however, that this paragraph (a)(5)(ii) shall not apply to a transaction in a debt security that either: (a)(5) (A) Has a maturity date that may be extended by the issuer thereof, with a variable interest payable thereon; or (a)(5) (B) Is an asset-backed security, that represents an interest in or is secured by a pool of receivables or other financial assets that are subject continuously to prepayment; and	Sequence C – Confirmation Details :90B::DEAL//ACTU/USD15d Sequence C2 – Financial Instrument Attributes :90B::INDC//YIEL/USD15d	
(a)(6)	In the case of a transaction in a debt security effected on the basis of yield: (a)(6) (i) The yield at which the transaction was effected, including the percentage amount, and its characterization (e.g., current yield, yield to maturity, or yield to call)	Sequence C – Confirmation Details :90A::DEAL//YIEL/15d Sequence C – Confirmation Details :70E::TPRO//YICH/	Refer to Field where type of security is identified. Followed by the a short description of the yield characterization (eg, CURR, MATU, CALL)

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
	<p>if effected at yield to call,</p> <p>the type of call</p> <p>the call date</p> <p>call price; and</p>	<p>Sequence C – Confirmation Details :70E::TPRO//CALT/</p> <p>Sequence C2 – Financial Instrument Attributes :98A::CALD//8!n</p> <p>Sequence C2 – Financial Instrument Attributes :90A::EXER//4!c/15d</p>	<p>Followed by the short text describing the call type.</p>
(a)(6) (ii)	The dollar price calculated from the yield at which the transaction was effected;	Sequence C – Confirmation Details :70E::TPRO//90B::DEAL//YIEL/USD15d	Sequence C field 90a is not repetitive, so the dollar price will be provided in Sequence C field :70E::TPRO as shown.
(a)(6) (iii)	If effected on a basis other than yield to maturity and the yield to maturity is lower than the represented yield, the yield to maturity as well as the represented yield;	f) Sequence C2 – Financial Instrument Attributes :90A::INDC//YIEL/15d	
	Provided, however, that this paragraph (a)(6)(iii) shall not apply to a transaction in a debt security that either:	N/A	N/A

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
	<p>(A) Has a maturity date that may be extended by the issuer thereof, with a variable interest rate payable thereon; or</p> <p>(B) Is an asset-backed security, that represents an interest in or is secured by a pool of receivables or other financial assets that are subject continuously to prepayment; and</p>		
(a)(7)	<p>In the case of a transaction in a debt security that is an asset-backed security, which represents an interest in or is secured by a pool of receivables or other financial assets that are subject continuously to prepayment, a statement indicating that the actual yield of such asset-backed security may vary according to the rate at which the underlying receivables or other financial assets are prepaid and a statement of the fact that information concerning the factors that affect yield (including at a minimum estimated yield, weighted average life, and the prepayment assumptions underlying yield) will be furnished upon written request of such customer</p>	<p>Sequence C2 – Financial Instrument Attributes :70E::FIAN//YIEL</p>	<p>YIEL means that : “the actual yield of such asset-backed security may vary according to the rate at which the underlying receivables or other financial assets are prepaid and a statement of the fact that information concerning the factors that affect yield (including at a minimum estimated yield, weighted average life, and the prepayment assumptions underlying yield) will be furnished upon written request of such customer”</p>

Rule 10b-10 Requirements		Coverage	
		Field or work-around²	Comments
(a)(8)	In the case of a transaction in a debt security, other than a government security, that the security is unrated by a nationally recognized statistical rating organization, if such is the case;	g) Sequence C2 – Financial Instrument Attributes :70E::FIAN//UNRA	UNRA means that : “the security is unrated by a nationally recognized statistical rating organization”
(a)(9)	That the broker or dealer is not a member of the Securities Investor Protection Corporation (SIPC), or that the broker or dealer clearing or carrying the customer account is not a member of SIPC, if such is the case: Provided, however, that this paragraph (a)(9) shall not apply in the case of a transaction in shares of a registered open-end investment company or unit investment trust if:	Sequence C1 – Confirmation Parties :70E::DECL//SIPC/N	SIPC/N means that: “the broker or dealer is not a member of the Securities Investor Protection Corporation (SIPC), or that the broker or dealer clearing or carrying the customer account is not a member of SIPC”
(a)(9) (i)	The customer sends funds or securities directly to, or received funds or securities directly from, the registered open-end investment company or unit investment trust, its transfer agent, its custodian, or other designated agent, and such person is not an associated person of the broker or dealer required by paragraph (a) of this section to send written notification to the customer; and	N/A	N/A

<i>Rule 10b-10 Requirements</i>		<i>Coverage</i>	
		<i>Field or work-around²</i>	<i>Comments</i>
(a)(9) (ii)	The written notification required by paragraph (a) of this section is sent on behalf of the broker or dealer to the customer by a person described in paragraph (a)(9)(i) of this section	N/A	N/A