

Industry Best Practices for the usage of Place of Safekeeping (PSAF/SAFE) and Place of Settlement (PSET)

1. Introduction

In light of the move toward a shorter settlement cycle – following the US/Canada/Mexico transition to T+1 in May 2024 and the planned UK/EU transition on 11 October 2027 –, both the industry and individual firms are reassessing their safekeeping strategies and focusing on ensuring that transactions are instructed at the correct location on the first attempt.

The Place of Settlement (PSET), despite being a non-economic field, plays a critical role in ensuring accurate and timely settlement. In 2023, the AFME report¹ ‘Improving the Settlement Efficiency landscape in Europe’, identified that data quality issues – such as PSET and SSIs data – remain behind the most common causes behind settlement fails.

While PSET and PSAF serve distinct operational purposes, consistent and accurate PSAF information – including its inclusion in reporting such as the MT535 Statement of Holdings – can enhance overall transparency and help the industry better understand the alignment between safekeeping and settlement locations.

The UK T+1 Accelerated Settlement Taskforce’s report² on final recommendations for T+1 implementation endorsed the production of new industry best practices for the communication of PSET and PSAF between the brokerage, custodian and buy-side communities.

The ECB AMI-SeCo Securities Group (SEG) published a report³ in 2025 identifying barriers to Post Trade integration in the European Union and has endorsed the production of industry best practices as one of the key initiatives for improving settlement efficiency and tackle fragmentation.

2. Scope

¹ <https://www.afme.eu/media/4c5bgns4/afmesettlementefficiency202307final.pdf>

² <https://acceleratedsettlement.co.uk/wp-content/uploads/2025/09/AST-Final-Final-Report.pdf>

³ https://www.ecb.europa.eu/press/intro/publications/pdf/ecb.amiseco202509_barriersmarketintegration.en.pdf

This document aims to promote industry best practices for the consistent definition, provision, and use of both PSAF and PSET fields across Post Trade processes.

While ISO 20022 offers improved structures for identifying multiple settlement locations, the T+1 migration timelines mean that the recommendations being presented here are focused on the mainstream use of the existing ISO 15022 standards, whereas extensive moves to ISO 20022 are not anticipated by 2027.

These guidelines should be applicable to all cash equity and fixed income transactions. Cross-border and SFT (securities financing transactions) scenarios are also considered in scope of this guidance.

The recommendations should be followed irrespective of the settlement cycle that is applicable to the securities of the transaction.

These recommendations incorporate and align with the SMPG's Recommendations on PSET and PSAF under the T+1 Settlement Framework (October 2025)⁴. The SMPG document provides the foundational definitions for PSET and PSAF/SAFE within settlement instructions and should be considered the primary global reference for market practice. This industry best-practice paper builds upon these principles to address current operational models, including cross-CSD and investor-CSD environments.

3. Place of Safekeeping (PSAF)

3.1. What does PSAF relate to?

As defined in the SMPG guidelines⁵, the Place of Safekeeping (PSAF) is a critical field when, for instance, a custodian on behalf of the account owner, has multiple places of safekeeping for the same security.

Both naming conventions of 'PSAF' and 'SAFE' are commonly used in the industry to refer to the place of safekeeping. While SWIFT fields use the term SAFE, this document will use PSAF for consistency and ease of reference, in line with the terminology used in the recommendations of the UK T+1 AST and the ECB AMI-SeCo SEG report.

PSAF has two distinct use cases:

- In **Settlement Instructions** (MT54x), PSAF is used at trade instruction time to indicate where the client's securities are or should be held.
- In **Statement of Holdings** (MT535), the PSAF field shows where the account servicer actually holds the position.

3.2. PSAF in Settlement Instructions (MT54X)

In settlement instructions PSAF is used to indicate the safekeeping location that should be applied for the securities involved in the transaction when more than one possible depot exists. Within this context, PSAF helps the account servicer understand the intended booking location where

⁴ https://eu-t1.eu/wp-content/uploads/2025/12/A_SMPG-Recommendations-on-PSET-and-PSAF-under-T1-Settlement.pdf

⁵ https://www.smpg.info/sites/smpg/files/files/2024-07/SMPG_MP_SR_Place_of_Settlement_and_Place_of_Safekeeping.pdf

the securities should be held following settlement (in the case of a receive) or sourced from (in the case of a delivery).

PSAF in a settlement instruction is therefore a conditional and situational field, used only where operationally relevant. It provides clarity in markets or instruments where multiple safekeeping depots may exist (e.g., domestic CSD vs. ICSD, multi-listed securities, or situations where a participant's account structure allows holdings in more than one location). In such cases, PSAF supports the correct interpretation of the instruction by indicating which depot the instructing party expects to use.

Where the safekeeping location is unambiguous, fixed by market structure, or not relevant for the processing of the instruction, PSAF should not be populated. This reflects SMPG guidance, which positions PSAF in settlement instructions as an optional data element that should only be included when necessary to avoid ambiguity.

It is important to distinguish PSAF from the Place of Settlement (PSET):

- PSET identifies the CSD/ICSD through which the counterparty will settle the transaction, i.e. the settlement venue where the counterparty maintains the relevant securities account.
- PSAF provides clarity on the anticipated safekeeping location for the instructing party, not the settlement venue.

For this reason, PSET must not be derived from PSAF. While both fields may appear together in cross-border scenarios, they serve separate operational purposes.

In summary, PSAF in settlement instructions should be applied only when its inclusion improves clarity by indicating which safekeeping location is intended in cases where multiple depots exist. When used appropriately, PSAF helps prevent mismatches and supports effective realignment workflows, particularly in cross-border or multi-depository scenarios.

3.2.1. Recommendations for the use of PSAF on Settlement Instructions

- **Recommendation PSAF SI 01: Populate PSAF only when multiple safekeeping locations exist.**

Rationale:

PSAF should be included in a settlement instruction only when there is more than one possible safekeeping location and the information is required to clarify the intended depot (e.g., domestic CSD vs ICSD, multi-listed or multi-depository securities).

Who:

- Instructing parties (buy side, sell side, brokers), when issuing the original settlement instruction.
- Custodians should validate PSAF based on client account structures, safekeeping elections, or based on bilateral agreements.

When: By end of 2026

- **Recommendation PSAF SI 02: PSAF should indicate the first CSD in the custody chain, from the instructing party's perspective.**

Rationale:

When populated, PSAF should reflect the intended booking location relevant to the settlement instruction, i.e., the depot the instructing party expects to use.

PSAF should not be used to represent the internal custody-chain structure of the custodian (e.g., sub-custodian), but only the intended depot relevant to the instruction.

Who:

- Instructing parties should communicate their intended safekeeping location where relevant.
- Custodians should apply or validate PSAF based on client account structures, safekeeping elections, or bilateral agreements.

When: By end of 2026

- **Recommendation PSAF SI 03: PSAF should be identified by entering the BIC code of the first CSD in the custody chain, from the instructing party's perspective.**

BIC codes should be populated using the SMPG official list of CSD/ICSD BICs.

3.3. PSAF in Statement of Holdings (MT535)

When the account owner has the choice to hold the securities in various locations, clear visibility of the actual safekeeping location is essential for accurate reconciliation and correct onward instruction.

While the SMPG recommendations focus specifically on settlement instruction messages, this document extends the best practice principles to MT535 reporting in order to support broader transparency and settlement efficiency, in line with the objectives of Europe's T+1 transition.

3.3.1. What is MT535 and what is it used for?

In accordance with the description on the ISO 20022 website⁶, the MT535 'Statement of Holdings' "*is used to report, at a specified moment in time, the quantity and identification of financial instruments which the account servicer maintains for the account owner.*"

This is generally a well-established message type that's used down the settlement chain, with investment managers consuming them from custodians and custodians consuming them from sub-custodians. An MT535 message assists the consuming firm in reconciling the positions they have on internal records against those of their account servicer, and ultimately the Central Securities Depository.

As part of an MT535, the message can identify where a given security is held through SWIFT field 94a (SAFE), where the BIC of the location would be entered. This is commonly shown in a few ways:

- From a sub-custodian to custodian: this would commonly reflect whether it's held at the local CSD or at an ICSD.
- From a custodian to an investment manager: the custodian may either provide the BIC of the CSD or, in some cases, the BIC of the sub-custodian, depending on the safekeeping model and bilateral arrangements. Generally, seeing the BIC of a sub-custodian or a country code, would signify to the investment manager that securities are held at the local CSD.

⁶ <https://www.iso20022.org/15022/uhb/finmt535.htm>

For European securities this could commonly be either the national CSD, but also an ICSD. In the absence of an account servicer not identifying where the securities are held, the consumer may instruct in the incorrect location if they come to sell the security.

PSAF may not appear in certain MT535 statement formats (e.g., statements ordered by security, or where sub-balances are suppressed), as these formats do not technically support the inclusion of field 94a.

3.3.2. Recommendations for the use of PSAF on Statements of Holdings

- **Recommendation PSAF SH 01: Custodians should populate PSAF in Field 94a of MT535, unless bilaterally agreed otherwise.**

Rationale

The inclusion of PSAF information in field 94a of MT535 by custodians is essential to enhance transparency and operational efficiency in post-trade processes. Consistent population of PSAF data enables investment managers and other consumers of the MT535 to identify the safekeeping location of their securities, reconcile positions accurately and determine the correct settlement location when instructing onward transactions.

While certain MT535 formats or bilateral client preferences may technically prevent PSAF from being included, the **default market practice** should be to populate PSAF wherever possible.

By standardising PSAF reporting, custodians empower buy-side firms to allocate trades with greater precision, supporting settlement efficiency and minimising operational risk.

Who:

- Custodians, unless otherwise agreed with the client.

When: By end of 2026

- **Recommendation PSAF SH 02: PSAF should be identified by entering the BIC code of the first CSD in the custody chain, from the instructing party's perspective.**

BIC codes should be populated using the SMPG official list of CSD/ICSD BICs.

4. Place of Settlement (PSET)

4.1. What does PSET relate to?

As defined in SMPG guidelines, PSET identifies the location where a securities transaction is to be settled, that is, the CSD/ICSD in which the securities will be delivered and received. In practice, the PSET indicates the market infrastructure through which the settlement will occur, and therefore determines the applicable settlement rules, operating hours, and cut-off times.

Cross-CSD settlement can take place when counterparties settle through different CSDs, even for the same ISIN. Correct PSET identification is therefore essential to avoid unnecessary realignments.

The determination of PSET should follow the counterparty's settlement venue, i.e., the CSD/ICSD where the counterparty maintains the relevant securities account. It is the responsibility of the instructing party to ensure that the PSET included in the instruction reflects the settlement venue

agreed with the counterparty. Custodians and matching platforms should validate and flag inconsistencies where possible.

The PSET is typically represented by the BIC code of the relevant CSD or ICSD. It is a non-economic field, but it is essential for correct instruction routing, pre-matching, and settlement finality. Ensuring consistent and early population of PSET across all market participants supports settlement efficiency and alignment with regulatory expectations, including those set out by ESMA and the UK T+1 AST.

4.2. Recommendations

- **Recommendation PSET SI 01: PSET data must be included at the point of allocation by both counterparties, for all allocation methods (e.g. CTM, FIX, ISO, email, etc.).**

Rationale:

The inclusion of Place of Settlement (PSET) data at the point of allocation in all trade matching tools, or any other allocation method, is essential for early detection of discrepancies between counterparties. Timely provision of PSET data enables proactive realignment of positions, reducing the likelihood of failed trades—particularly in cross-border transactions. Standardising this requirement for both buy-side and sell-side firms strengthens settlement efficiency, supports straight-through processing, and facilitates effective exception management under compressed timelines.

Who:

- Trading Parties, Settlement Intermediaries

When: By the end of 2026

- **Recommendation PSET SI 02: Promote convergence in realignment instruction practices**

Rationale:

The absence of consistent practices for realignment instructions across custodians introduces operational friction and increases exception-handling complexity, particularly in cross-border scenarios or when multiple custodians are involved.

Differences in communication channels (e.g., via SWIFT, email, portals, fax, etc.), required data elements, and processing workflows can lead to delays and manual intervention.

While realignment standardisation is not a prerequisite for T+1 settlement, greater convergence over time would improve operational resilience, transparency, and efficiency. Establishing common principles and minimum data expectations for realignment requests would support smoother exception management and reduce operational risk without constraining firms' existing infrastructures or market-specific requirements.

Who:

- Global and sub-custodians (in coordination with CSD requirements and industry forums).

When: Post T+1 implementation, with progress targeted by end of 2027.