

# Swiss NMPG Report to SMPG IFWG meeting, Helsinki, 19 - 21 Apr 2016

12 April 2016

## 1 Current Market Practice Status

### 1.1 Orders

The Swiss Commission for Financial Standardisation (SCFS) conducts market coordination activities of the MT-MX-migration of ISO 20022 IF order processes, based on the mandate of the Swiss SWIFT NUG. The cornerstones of the coordination are agreed timeline, MT-MX-migration market practice and MP tooling environment (SCFS validation portal).

The Swiss MT-MX-migration Market Practice was developed during 2011-2012 and the first release (1.0) finalised at the end of 2012. Contrary to other national funds market practices, the Swiss MT-MX-migration Market Practice does not apply to the order message flow towards the domestic TAs, but instead specifies the market practice in the national distribution chain for cross-border funds order flows going to other TA markets.

At the end of April 2014, the second MP release (1.1) was published.

Whilst a large number of funds players in the Swiss market expected to migrate by the NOV-2015 deadline to the ISO 20022 funds messages, there are some remaining players that continue to enjoy the facilities provided by SWIFT for continued use of the MT message set beyond NOV-2015.

### 1.2 Transfers

Starting in April 2014, the SCFS has investigated opportunities for automating portfolio transfers.

Within the Swiss securities market, the settlement and reconciliation processes are highly automated through ISO 15022 messaging. Thus, the ISO 15022 MT 586 message constituted a natural choice for a standardised message-based portfolio transfer process. In the Swiss market, investment funds instruments are included in the scope of the MT 586-based processes.

Based on an earlier draft global SMPG market practice using the MT 586, the SCFS has developed a portfolio transfer market practice for the Swiss securities market which in the meantime has been approved by the SMPG SnR WG as a final global SMPG market practice.

A newsletter has been published on the SCFS web-site:

<http://www.scfs.ch/fachkommissionen/fachkommission-securities/subcommittee-settlement-reconciliation-se-r/interne-dokumente/SKSF%20Newsletter%20MT586%20englisch.pdf>

The SCFS is aware of the need to extend the MT 586-based SMPG market practice in a suitable manner in order to reach funds players that employ ISO 20022 messaging. This would be conducive in cases of cross-border flows to ISO 20022-based TAs and/or cross-border flows to securities markets that have migrated to ISO 20022 messaging.

### **1.3 Hedge / Alternative Funds**

During the MT-MX-migration, it became apparent that a number of alternative funds processes had been implemented by the Swiss funds players in the ISO 15022 message set. These processes were however not harmonised throughout the Swiss funds market. In absence of any messaging standard for alternative funds processes, the Swiss NMPG decided that there was not sufficient a case for a domestic initiative to harmonise the various implementations of alternative funds processes by use of the ISO 20022 investment funds messages set, as this message set does not cater for alternative funds processes.

Therefore, in the first half of 2014, the SCFS conducted an investigation into the investment funds distribution related message sets of the two ISO 20022 business justifications entitled 'investment funds distribution (BJ 2)' and 'alternative funds (BJ 37)'. The aim of this investigation consisted in analysing whether there were sufficient potential for harmonising both message sets.

Following the presentation of this topic at the spring 2014 meeting of the SMPG IFWG, the SCFS has raised an ISO CR to merge the two message sets. The CR has in the meantime been accepted by the Funds Evaluation Team (ET). Currently, the SCFS SC FUND is monitoring the preparations for the review effort of the Funds Evaluation Team (ET).

## **2 Maintenance of Market Practice**

With the forthcoming end of the maintenance freeze of the ISO 20022 order flow messages, the Swiss MT-MX-market practice will have to be maintained in order to accommodate the new functions that will be introduced into the ISO 20022 standards during the 2016-2017 maintenance cycle.

## **3 National Group / Initiative**

See reference to the Portfolio Transfer market practice above (see section 1.2).

## **4 Migration ISO 15022 to 20022 Status**

By using the Swiss investment funds market practice as a recommendation, a large number of funds players in the Swiss market migrated by the Nov 2015 deadline to the ISO 20022 funds messages. There are nevertheless some remaining players that continue to enjoy the facilities provided by SWIFT for continued use of the MT message set beyond Nov 2015.

As these users of the FIN funds template are catered for by SWIFT in a closed user group (CUG), the SCFS has no intelligence of the progress being made by this CUG.

## 5 Miscellaneous

### 5.1 Document Resources

#### 5.1.1 SCFS Validation Portal - SCFS Investment Funds Market Practice

Based on solution provided by GEFEG mbH

URL: <http://portal.gefeg.com/scfs-funds-mp.htm>

Usage: publication of MP guidelines, implementation support functions

### 5.2 Events

This year's edition of the annual SCFS Investment Funds Conference is scheduled for 24 June 2016. See advance information on the SCFS web-site:

<http://www.sksf.ch/events/sksf-fonds-konferenz-2016>

### 5.3 Business Application Header (BAH)

The SCFS is an active member of the ISO 20022 Technical Support Group (TSG).

The TSG is currently working on two BAH-related topics:

- 1.) standardisation of the mechanism for binding the BAH to the related business message
- 2.) enhancing the BAH with a 'content indicator'

Related to the content indicator topic, the SCFS has raised an ISO 20022 CR ([http://www.iso20022.org/documents/CRs/CR0531\\_SCFS\\_BAH\\_v1.doc](http://www.iso20022.org/documents/CRs/CR0531_SCFS_BAH_v1.doc)).

This CR is particularly relevant to investment funds messages, as the 'MDR\_Part2\_InvestmentFunds\_Maintenance\_2014\_2015' makes mention of an element entitled 'MarketPracticeVersion'.

It is the intention that the function of the message-specific 'MarketPracticeVersion' element would be fulfilled by the content indicator block of the BAH. By making available this feature through the BAH to the ISO 20022 messages of all ISO 20022 domains, the 'MarketPracticeVersion' element could eventually be removed from the payload of the investment funds messages.