



Your Gateway to Securities Standards !

September Monthly WebEx SMPG SnR Meeting September 14, 2021

Meeting Venue:

WebEx teleconference

I. Settlement and Reconciliation - Agenda

Tuesday September 14, 2021

14:00 – 15:00 (Brussels)
08:00 – 9:00 (NY)
20:00 – 21:00 (Tokyo)

- UTI Discussion Paper (Charifa)
- SR2022: Update from Maintenance Working Group sessions (Alexandre)
- Buy-in condition for cancellation (Robin)
- Preparation for October SMPG conference

II. Settlement and Reconciliation - Attendees

Alexandre Hotat,	SWIFT
Annemie Loose,	Euroclear/BE
Arnaud Jochems,	LU
Aundrea Jarvis,	US
Asa Lewenhagen,	SE
Charifa Elotmani,	SWIFT (guest)
David Wouters,	BE
Denis Andrejew,	DE
Marcin Zawistowski,	PL
Paul Janssens	SWIFT
Riyousuke Abiko,	JP
Robin Leary,	IE
Stephan Shuetter,	CH
Stephanie Fischer,	FR
Suzanne Forup,	DK
Takaya Hamamura,	JP
Ton van Andel,	NL
Yusuke Kobayashi	JP

III. Settlement and Reconciliation – Meeting Minutes

Tuesday September 14th, 2021

Welcome address

Marcin opened the session and welcomed the participants joining from all over the world, at early morning in the US, afternoon in EMEA and late evening in Japan and Asia. The agenda was presented with Webex virtual sessions.

General Meeting Discussion update

(1) Unique Transaction Identifier (UTI) (Charifa)

Charifa provided background on the purpose and intent of the UTI white paper. SWIFT End to End Tracking provides view for two sides universal reference for settlement and reconciliation. 36 member firms participating in a working group. This group has worked to help define the benefits and process workflows. The intent of UTI is for the same transaction reference identifier, both on buy side & sell side. The reference field is available as from SR2019.

The working group was also focused on defining other benefits to the UTI in the end to end processing. The intent of the white paper is to detach the UTI from the SWIFT tracking service to define the benefits beyond the SWIFT service.

The paper has been shared with 13 industry associations to this point, 7 entities have commented. The deadline for additional comments is September 20, 2021. Following this deadline, the revised version of the UTI white paper will be published to the industry around mid October. The final co-authored version is targeted for end of October / early November.

Charifa acknowledged overall strong support for the UTI white paper concept. Charifa provided a summary of the feedback received which include, more details on UTI mechanics and practice, continue to evidence broader benefits, investigate additional benefits, and highlight history of UTI which was initially designed by the industry rather than specific ISO standard.

Marcin opened the floor to questions on the paper. There is an open question on an approach / decision for SMPG to co-author paper, including dependency on reviewing next version of the paper.

Takaya noted Japan agrees with the concept of UTI. He continued with noting the concept should be optional in global adoption, across region or country, due to various regulations and current level of specific market efficiency. Additional considerations may include cost to adjust infrastructure, complex workflows challenges, and varying demand across market participants. Japan market is generally efficient settlement infrastructure.

Charifa noted there is no plan to make UTI mandatory at this point in time. Second point Charifa acknowledged was issuing handling, and tracing UTI in cases will be journey of progress (example being large parent / child block workflows). She reiterated CTM is an example of a party adopting UTI publishing.

Stephan opined on value to smaller institutions, which may not have sophisticated tracking mechanisms already in place. Charifa highlighted target discussions with mid to small size institutions is a consideration, as the parties furthest from the CSD.

Arnaud asked for clarification on intent for CSD/ICSD to validate UTI values from parties. Charifa noted adoption of UTI as market matching criteria would be at the discretion of CSD. Charifa also noted SWIFT validation may be consideration. Stephan noted there may be a benefit of optional matching condition, where matching would occur if both parties

Securities Market Practice Group

Meeting September 14, 2021 – Invitation, Agenda & Minutes



presented UTI reference on a transaction. Stephan noted cross border example to further support considering the optional matching criteria practice. The intent of the end to end tracking tool by SWIFT is not to replace the market infrastructure, but rather compliment depository and custodian roles by bringing transparency and transaction tracking to the industry.

Robin provided example of benefit of UTI at source of trade rather than end recipient of CSD (example). There may be added benefits to address settlement issues before the end recipient of the CSD, via mismatch conditions. This would allow discrepancies within transaction issues to be resolved earlier in the chain and settlement life cycle.

Charifa closed conversation highlighting the various documentation available to review content on the UTI white paper documentation. She will share some detailed flows from the End to End working group results.

There is not clear conclusion from Settlements and Reconciliation working group on position to co-author UTI white paper, at this point in time. We will continue to discuss this topic at a later call/meeting.

(2) SR2022: Update from Maintenance Working Group sessions (Alexandre)

Alexandre provided an overview of the Maintenance Working Group sessions.

There were 8 change requests for Settlement and Reconciliation Maintenance group, 7 change requests affect MT message suite.

The first point of discussion was the withdrawn submission for CR001727. This change request was to add code to cancel a forex instructed only for unsettled position on partial settled transaction. Robin highlighted next steps for institutions to continue to discuss the topic and present research, benefits and demands for this feature. The intent is to continue to evaluate expanding on the market practice, and whether the current codes will be sufficient post CSDR implementations. A consideration presented at Maintenance WKG was rewording definitions of current qualifiers to solve for partial settlement conditions.

The other user change request items were accepted/agreed by the Settlement and Reconciliation Maintenance group, including CR001778, CR001779, CR001798, and CR001828. CR001828 implementation will consider extending to 6 digits, given existing rules in place.

The corporate actions maintenance group declined to add a new event type for Tax Classification, therefore the CR001796 was also rejected. The intent was to prepare in condition the corporate actions group agreed to the change request.

The SWIFT change requests CR001728 and CR001804 were accepted/agreed.

Alexandre also presented an updated on the 3 common change requests. The focus of these change requests were to prepare support for digital assets. CR001781 was declined as identifiers are defined in external code list, and requested submitter to submit a request to update the external code list. CR001782 and CR001783 were accepted/agreed. CR001782 to add block chain address/wallet identification which was agreed next to safekeeping account. CR001783 was request to add new decimal format in support of digital assets. While this request will increase decimals to 30 digits, the change is expected to implement with only linked to the digital token to reduce impact to institutions current infrastructure. Alexandre also highlighted additional technical changes will be implemented in ISO20022 rules. Alexandre summarized the impact is balances (93 fields) and quantity (36 field) will be affected for this future release.

Ton highlighted consideration for new market practices or updating existing market practice documents to consider digital assets.

Alexandre is working on finalizing implementation reviews. The next steps will be for a PDF summary document of changes to be shared with the group. This will include all messages to be impacted by the release, for Settlement and Reconciliation.

Securities Market Practice Group

Meeting September 14, 2021 – Invitation, Agenda & Minutes



Alexandre concluded by highlighting a new consideration for Settlement and Reconciliation specific to collateral management activity. CR001786 requested by collateral management agreed/accepted a new exposure type code Uncleared Derivative Margin Segregation. The impact summary should have considered the condition that a collateral movement, at some point it will need to be settled. Highlighted codes in COLA the code will need to be adopted within the SnR messages. The group agreed an additional review is necessary and agreed to dependency on the settlements messages.

Action item: Identify market practice documents to be updated for SR 2021 and SR2022 changes.

(3) Buy-in condition for cancellation (Robin)

Robin reviewed the 2 considerations for the buy-in order of operation and market practice documents.

The first point by Robin was to highlight need to update content on page 5 of buy-in market practice.

The second point Robin raised was ordering of steps and order of operation for buy-in actions, steps 10-12 (noted on page 4 of the buy-in practice)

The collective group acknowledged timing issues with the dependencies in steps 10-12. Denis highlighted key point that the original instruction is on hold. Ton noted the perfect sequence may not be achievable, as there is going to be a period of time with incorrect/duplicate conditions as service providers are processing intent. Stephan noted example of condition that most individual firms or technical applications process cancel/rebook within one command.

Robin reiterated that is the crux of the issue with sequencing. Recommendations should be reordered to step 10: A, B, C to highlight it is part of one overall action. General agreement with group to enhance wording on why the sequence is in this order, specifically the dependency 'on hold' and timing of cancel and amendment instructions.

Stephan & Ton agreed with recommendation.

Aundie presented a question and consideration on whether the regulation noted guidance on sequence of cancellation transaction. Arnaud acknowledge consideration. This language maybe helpful to the market practice update and recommendation.

The next steps will be summarize recommendation over email (Robin).

(4) General questions

Denis asked a question of the group, regarding the cash penalties practice. The semt.044 does not include the CMPU. This discussion point which was also recently raised by Arnaud. CMPU and fields provide guidance on values to be included/excluded between global net and bi-lateral net. The group agreed it is an existing gap. The capacity indicator could be leveraged as a workaround.

Robin highlighted there may be a few other values missing within semt.044. Arnaud to present additional information to SnR group to summarize exceptions.

(5) Preparation for October SMPG conference

The next meeting will be the conference sessions, scheduled October 4th to October 8th, 2021. Marcin solicited group for new topics to prepare for the conference agenda.

(6) All other business & conclude meeting

No additional items raised by the SnR working group.