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# May Monthly WebEx SMPG SnR Meeting

June 15, 2021

## Meeting Venue:

WebEx teleconference

## I. Settlement and Reconciliation - Agenda

**Tuesday June 15<sup>th</sup>, 2021**

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

- MP – Portfolio transfer MT586 (Stephan)
- UTI – Swift Strategy (action point from last SMPG) (Lotte)
- SR2022 – CR received and next steps (Alexandre)
- Other topics, as time permits,

## II. Settlement and Reconciliation - Attendees

Alexandre Hotat,	SWIFT
Arnuaud Jochems,	LU
Aundrea Jarvis,	US
Charifa Elotmani	SWIFT
Didier Hermans	SWIFT
Jasdec Yusuke Kobayashi	JP
Hans Martin Aulie,	NO
Jason Brasile,	US
Marcin Zawistowski,	PL
Marco Sguera,	FR
Olivier Leveque,	EU
Riyousuke Abiko,	JP
Robin Leary,	IE
Simon Daniel	SWIFT
Stephan Shuetter,	CH
Stephanie Fischer	FR
Suzanne Forup,	DK
Takaya Hamamura,	JP
Ton van Andel,	NL

## III. Settlement and Reconciliation – Meeting Minutes

# Securities Market Practice Group

## Meeting June 15, 2021 – Invitation, Agenda & Minutes



**Tuesday June 15<sup>th</sup>, 2021**

### **Welcome address**

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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**

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#### **(1) MT586 Portfolio Transfer Market Practice Draft Review**

Stephan presented recommended changes to the Portfolio Transfer Custodian to Custodian Market Practice document. The last update of the market practice document was July 2020, which was approved.

The group discussed clarity of the term and definition of account service provider (BPO). No objection to maintaining specific term in the document.

Three specific recommendations were reviewed (a) recommendation in case an Account Service (BPO – servicer) is involved (b) recommendation of additional party identification and (c) correction of mistype within document

##### **(a) Account Servicer**

In these cases the BPO is the Receiver of the MT 586 request message but not a Party in the settlement itself. The BIC code of the Client's Safekeeping Bank (receiving custodian) has to be added in the first row of the beneficiary details (TAG :95Q::ACOW//)

Example:

Line1: RECCUSTOXXX

Line2, 3 & 4: NAME AND ADDRESS OF RECEIVING CLIENT

##### **(b) Additional Party Identification**

In case of more than 2 Parties per side are involved in the settlement it is recommended to use the respective logic from the MT54x Series SWIFT Standards. This means that besides the DEAG/REAG and BUYR/SELL the additional parties DECU/RECU, DEI1/REI1 and DEI2/REI2 should be used in MT586 accordingly.

##### **(c) Mistype within document**

The message example LINK was updated.

The group discussed the increased adoption of the MT586 for the purpose of portfolio transfers. The market practice is focused on 15022, as the 20022 messages has less functionality developed in the current message structure.

No objections from the group in attendance. The recommended changes to the market practice was approved and will be posted.

#### **(2) SWIFT Monitoring Service – Unique Transaction Identifier (UTI) – presented by Didier Hermans @ SWIFT**

Didier presented materials for the Unique Transaction Identifier (UTI). With adoption, all parties in the communication chain can track the same identifier to link trading activity and parties in communication chain for operational efficiencies.

Discussed use case specific to DTCC, as DTCC plans to establish UTI via the CTM workflow and publish the UTI detail into settlement chain. UTI generation is pre-settlement.

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UTI does not impact settlement. The UTI assigned may include:

Block order & allocation – Block UTI assigned to the fulfilment, each allocation would bear a different UTI and then continue lifecycle using the allocation UTI

CCP Netting – The CCP will generate and communicate the new UTI

Didier noted a smaller group approved the recommendation to leverage UTI. Second step is socializing broader decision to leverage the UTI within stakeholder working group.

Jason highlighted the message SEME is uniquely changed between message sender and message receiver. UTI persists all the way through the entire transaction lifecycle, and the only unique reference linked all the way through. SWIFT must maintain the relationship between UTI and SEME references for integrity of the identifier.

Arnaud initiated commentary on partial settlement as a use case of discussion. For partial settlement, the message SEME will be unique to each message. The message RELA will be client reference and carry the same value across the multiple messages. The UTI will be the same value across the multiple messages.

Didier agreed with comments. UTI is also the only identifier consistent and persists through both sides, client and counterparty. All parties have the same UTI to facilitate transaction on either side of the transaction.

Robin noted the current ID published by T2S is only one sided and would not satisfy the two sided single transaction identifier.

Stephan raised a question to the group. Is it clear to both trading parties which organization publishes the UTI?

Market practice documents for UTI generation and communication are published by different organizations, including IOSCO, ESMA, and ISDA.

Didier Hermans acknowledged the question. The market infrastructure must assign the UTI in an appropriate way, as an example of party assigning UTI may be the stock exchange or central matching facility. He acknowledged there are other workflows of exceptions to be reviewed and vetted further, example was portfolio transfers and OTC activity. There are rules for party publishing UTI, to assist with guidance on roles and responsibilities.

Marcin raised a question to Suzanne around practice implemented in Denmark. Suzanne commented the current practice is different. Marcin noted the field already exists in message, which is positive news that the message structure and fields are already available. Open question on impact to participants leveraging specified fields for other purposes.

Didier noted the flow between CCP and CSD infrastructure is not always by SWIFT. Didier highlighted UTI generation is applicable to CCPs.

Simon notes this is a journey, starting with simpler workflow such as bi-lateral activity (buyer / seller) with a central infrastructure in place.

Robin this is in framework of SWIFT monitoring platform to assist with settlement challenges.

No additional comments from the group.

**Action 21-03** SMPG to coordinate identification, review and updates to consider Unique Transaction Identifier (UTI).

SWIFT offered to review inventory of market practices to continue. The consideration is whether focus is to update existing market practice vs. creating new market practice.

**(3) SR2022 Change Request review, presented by Alexandre Hotat**

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Alexandre opened the session discussing 2022 Change requests. The first discussion point was the 6 Common User Change Requests.

Common changes:

- (a) Digital asset requests including adding digital token identifier, allow for blockchain address/wallet identification, and new decimal format for quantity to settle. The Change Requests are focused on 15022 changes, however, due to co-existence the 20022 will need to be updated as well.
- (b) update ISIN and IBAN pattern – the ISIN pattern is more informational in the MX, Comments around the length of
- (c) Increasing the Building Name for 500 series. The PaySeg is reviewing the request to determine whether this change request may eventually be withdrawn

The second discussion point was the 6 change requests to be reviewed by the Settlements and Reconciliation group, including 4 user requests and 2 SWIFT requests.

Settlements and Reconciliation user and SWIFT changes:

- (a) Add code to cancel a FOREX instructed only for the unsettled portion of partial
- (b) Remove and align client collateral instruction id – alignment in the fields to be updated
- (c) Correct SR2021 for INTT code within specific messages
- (d) Add new information to partial release, status reason to indicate mismatch on partial settlement indicator and new market infrastructure transaction identifier of counterparty reference

Marcin raised question on whether SWIFT is still considering deferral of SWIFT release.

SWIFT will continue to review requests. The maintenance working group is scheduled to review in August.

#### **(4) All other business & conclude meeting**

No additional items raised by the SnR working group.

Group agreed to next month call: Tuesday 13<sup>th</sup> of July. The July discussion will include discussion on penalties. Group agreed no call in August, and to meet in September.

The fall SMPG conference will be virtual between October 4-8, 2021.

: Tuesday 15<sup>th</sup> of June.