February Monthly WebEx SMPG SnR Meeting
February 10, 2022

SMPG Securities Market Practice Group
Your Gateway to Securities Standards !

Meeting Venue:	
WebEx teleconference	

I. Settlement and Reconciliation - Agenda

Thursday February 10, 2022	

14:00 – 15:00 (Brussels)
08:00 – 9:00 (NY)
20:00 – 21:00 (Tokyo)
	• Cash amount tolerance matching process and messaging - Karine Taquet from SWIFT)
	• CSDR implementation & market practice considerations – general discussion
	   ○ General debrief
	   ○ PEN codeword on the MT950/940 field 61 Monthly statement and in particular :69A::STAT// field
	   ○ Pagination
	• FX Order MP v2.5 feedback session – Robin Leary
	• MT535 market practice - scenario where quantity of securities is bigger than the length of the qualifier in the message – Robin Leary
	• Factored securities Market Practice Draft – Gary Heald / Aundrea Jarvis

II. Settlement and Reconciliation - Attendees

Attendee	Representation	Attendance	Attendee	Representation	Attendance
Alberto Almazan	ES		Olivier Leveque		X
Alexandre Hotat	SWIFT	X	Marcin Zawistowski	PL	X
Annemie Loose	Euroclear/ FR	X	Paul Janssens	SWIFT	
Armin Borries	Clearstream/DE		Ryosuke Abiko	JP	X
Arnaud Jochems	LU	X	Robin Leary	IE	X
Aundrea Jarvis	US	X	Sari Rask		
Asa Lewenhagen	SE		Stephan Shuetter	CH	X
Aulie Hans Martin	NO	X	Stephanie Clark Fischer	FR	X
Ayaka Shibui	JP		Suzanne Forup	DK	X
Brett Kotze	ZA		Takaya Hamamura	JP	
Charles-Raymond Boniver	SWIFT	X	Ton van Andel	NL	X
Christine Strandberg	SE	X	Yusuke Kobayashi	JP	X
David Wouters	BE	X	Gary Heald, US	Guest	X
Denis Andrejew	DE			Guest	
Jason Brasile	US	X		Guest	
Karin Taquet	SWIFT	X		Guest	

III. Settlement and Reconciliation – Meeting Minutes

Thursday February 10, 2022

Welcome address

Marcin and Aundrea 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) Approach to CSDR implementation & market practice considerations – general discussion

(1a) Ton from T2S raised a comment regarding the settlement counterparties are different between the settlement confirm messages and the penalty messages
> Party IDs codes being utilized are different within the ICSD/CSD
> Multiple DSS codes links to one BIC, multiple participant codes linked to one BIC
> This condition may impact multiple markets & multiple participant IDs
> T2S requires if you want to be a separate member you have to have your own BIC, this is not a requirement of other parties in the chain of custody.
> The impact is mostly centered around ICSD.

No action for SMPG identified.

(1b) David noted a comprehensive list of implementation considerations was published by AFME.

(1c) Pagination theme – penalties were not completed before the next pagination occurred
> Referred to Arnaud recommendation on market practice to complete penalty before pagination
> Late Matching Penalty over 60 days, what is MP if can not be completed in one MT537

Marcin the underlying issue is the data required to communicate on a penalty exceeds the limit of the message. Complexity of the sequence for the penalty message is not new.

General question on whether investors' due diligence to minimize fails, and therefore the penalties, over time would reduce the pressure on message length.

Action items is for working group members to share the key considerations to solution in a market practice on pagination. Once we have the full list, we can further discussion solutions within SMPG.

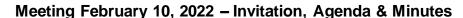(1d) PEN codeword on the MT950/940 field 61 Monthly statement and in particular :69A::STAT// field

The value will not fail validation if transmitted over the SWIFT network. Wordage in the SWIFT UHBs highlight value 'may contain' certain values but does not restrict usage of the PEN value.

The applicable market practice documents have been updated to reflect PEN codeword, added to page 19 of below MP:
https://pma-isitc-org.s3.amazonaws.com/Market%20Practice%20Documents/Cash%20Statement%20Market%20PracticeV1.6-Final.pdf

Given the current payment migration, it is expected a Change Request would not be accepted at this point in time. Discussions with continue with the Payment Seg working group.

No further action for SnR working group.

(1e) Transaction code usage

SMPG discussion specific to Transaction Code values and normalization within the context of CSDR workflows. The SMPG group has identified a number of scenarios:

- Consistent transaction code end to end
- Translation: service provider(s) in the chain of custody normalize the data value based on downstream/upstream designation
- Rejection: reject usage of code (example Repos by specific provider)
- Proprietary: party specific code (example Iberclear values in Spain)

Working group agrees with principle the settlement messages and penalty messages should align in value.

The group discussed whether SMPG could further influence adherence or streamline the market practice. The conclusion was the MP documents and SWIFT guidelines cover the rules and logic. Parties in the chain of custody may be more / or less compliant with the regulation; which is not an uncommon outcome. The conclusion is that managing any exceptions to the quality of transaction code is really at the level of a service agreement arrangement between parties.

(2) Cash amount tolerance matching process and messaging - Karine Taquet from SWIFT

The group discussed general practice for cash amount tolerance matching. The delivering party value, when a tolerance match is applied, should be the assumed value. Once the settlement amount is agreed based on this rule that settlement amount should persist going forward.

No further action for SMPG.

(3) FX Order MP v2.5 feedback session – Robin Leary

Robin presented the drafted recommendation for market practice updates specific to partial settlement.

No objections from the SMPG attendees. MP draft approved, to be posted.

(4) MT535 market practice - scenario where quantity of securities is bigger than the length of the qualifier in the message – Robin Leary

Conditions identified where the length the value exceed the field length include (a) integer/decimals and (b) quantity
Examples provided include Indonesian Bonds, significant holdings within an omnibus account

The messages and workflows impacted are multiple scenarios, include statements, settlement messages, etc.

Marcin volunteered to take away and present drafted language to provide guidance on advice to manage the condition. Drafted language to be reviewed at future meeting. The group acknowledged parties will likely need to also consider documentation at the level of a service agreement arrangement between parties.
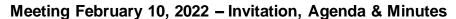
(5) Factored securities Market Practice Draft – Gary Heald / Aundrea Jarvis

Gary Heald, co-chair from US ISITC Settlements Working Group, presented an updated draft of the Factored Securities Market Practice document.

The highlights of the changes include:
- Add interest adjustment, codeword INTT, for updating floating rate coupon bonds

- Alternative Payments use of MT202/210 added

No objections from the SMPG attendees. MP Draft approved, to be posted to the community.

(6) All other business & conclude meeting

One additional item raised by the SnR working group. Consider partially settled trades within MT950s.

The next meeting will be the virtual monthly meeting, scheduled for March 3, 2022.

Continuing to consider in person meeting for SnR working group with agreement on 2-3 days between June 14-16 in Prague.