# SMPG

**Securities Market Practice Group**

*Your Gateway to Securities Standards !*

## SMPG Zurich meeting September 21 – 23, 2016

| **Hosted and sponsored by:** | **Sponsored by:** |
|---|---|

**Zürcher Kantonalbank**

**Meeting Venue:**

Zürcher Kantonalbank

Josefstrasse 222

8005 Zurich, CH

**Dress Code**:

Meeting: Smart Business casual

**Wedn. Evening Event: Business Attire !**

SWIFT · INCENTAGE

**Switzerland** National Member and User Group · SWIFT

**SWISS FINTECH INNOVATIONS** · **LIECHTENSTEIN BANKERS ASSOCIATION**

Schweizerische Kommission für Standardisierungen im Finanzbereich (SKSF)
Commission suisse de normalisation financière (CSNF)
Swiss Commission for Financial Standardisation (SCFS)

Ein Gremium der Schweizerischen Bankiervereinigung (SwissBanking)

## I.    Meeting Global Agenda

| **Wednesday 21ˢᵗ of September** | |
|---|---|
| 9:00 – 9:30 | Arrival & Check-in at **Zürcher Kantonalbank** premises and Welcome Coffee |
| **Morning Session** | |
| **9:30** | **Plenary Session** |
| 9:30 – 11:00 | **Plenary Session DRAFT Agenda**<br>1.  SMPG Welcome Address (Karla Mc Kenna, SMPG Chair, ISITC) – 5'<br>2.  Welcome Address by Host (Name, Title, **Zürcher Kantonalbank**) – 5'<br>3.  Global Meeting Schedule (Jacques Littré, SMPG General Secretary) – 5'<br>4.  Presentation Title (Speaker Name, Title, **Incentage**) – 25' - TBC<br>5.  Presentation Title (Speaker Name, Title, **Swiss Fintech**) – 25' - TBC<br>6.  Presentation Title (Speaker Name, Title, **ESMA**) – 25' - TBC |
| **11:00 – 11:30** | **Coffee Break** |
| **11:30 – 12:30** | 7.  Presentation Title (Speaker Name, Title, **SWIFT User Group**) – 15' - TBC |

| | |
|---|---|
| | 8.  Presentation Title (Blockchain Expert, Title, **Swiss Finance Institute**) – 45' – TBC |
| **12:30 – 13:30** | **Lunch** |

| **Afternoon Session** | | | |
|---|---|---|---|
| **13:30 – 14:00** | 9. ISO 20022 Harmonisation Framework Update(**SWIFT**) – 30' - TBC | | |
| **14:00** | **End of Plenary Session** | | |
| **14:00 – 15:30** | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |
| **15:30 -  15:45** | **Coffee Break** | | |
| **15:45 – 16:45** | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |

| **Evening** | |
|---|---|
| | |
| **16:45 – 22:30** | **Lichtenstein Banking Association – Banking Day**<br><br>**Leave Zurich in bus/coach to Liechtenstein and attend LBA Banking Day**<br>**Please indicate your participation in the meeting registration form !**<br>**Dress Code: Business attire** |
| **22:30** | **Back at the hotels** |

## Thursday 22nd of September

| 8:30 – 9:00 | Arrival & Check-in at **Zürcher Kantonalbank** premises | | |
|---|---|---|---|
| **Morning Session** | | | |
| **09:00 – 10:45** | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |
| **10:45 – 11:00** | **Coffee Break** | | |
| **11:00 – 12:30** | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |
| **12:30 – 13:30** | **Lunch** | | |
| **Afternoon Session** | | | |
| **13:30 – 15:30** | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |
| **15:30 – 15:45** | **Coffee Break** | | |
| **15:45 – 17:15** | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |
| **Evening** | | | |
| | | | |
| **17:30 – 22:30** | **SMPG Event**<br><br>**_Meeting Point_: _Entrance of the meeting venue_**<br>**Please indicate your participation in the meeting registration form !** | | |
| **22:30** | **End of Event** | | |

## Friday 23rd of September

| 8:30 – 9:00 | Arrival & Check-in at **Zürcher Kantonalbank** premises |
|---|---|
| **Morning Session** | |
| **9:00 – 9:30** | Presentation Title (Speaker Name, Title, Liechtensteiner bankers association) – 30' |

| 9:30 – 10:45 | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |
|---|---|---|---|
| **10:45 – 11:00** | **Coffee Break** | | |
| **11:00 – 12:30** | Corporate Action WG | Investment Funds WG | Settlement and Reconciliation WG |
| **12:30 – 13:30** | **Lunch (Please indicate in the registration form if you stay for lunch)** | | |
| **13:30** | **End of meeting** | | |

# S&R Meeting Minutes

## Attendees

| Mrs | Piron | Evelyne | SWIFT | SWIFT | BE |
|---|---|---|---|---|---|
| Mr | Hotat | Alexandre | SWIFT | SWIFT | BE |
| Mrs | Taquet | Karine | SWIFT | SWIFT | BE |
| Mr | Kech | Alexandre | SWIFT | SWIFT | SG |
| Mr | Brasile | Jason | State Street | ISITC | US/New York |
| Mr | Dickfeld | Gunnar | Deutsche Bundesbank | T2S 4CB | DE |
| Mrs | WURMSER | Axelle | BNP Paribas Securities Services | NMPG France | France |
| Mr | Leary | Robin | Citi | UK&IE | IE / Dublin |
| Mrs | McKenna | Karla | Citi | ISITC | USA |
| Mr | Okumura | Hiroaki | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | Japan | Japan/Tokyo |

| Mr | Andrejew | Denis | Deutsche Bank | Germany | DE, Frankfurt am Main |
|---|---|---|---|---|---|
| Mr | Hiestand | Hans-Peter | Credit Suisse | Switzerland | CH-8070 Zürich |
| Mrs | Soe-Jensen | Helle | VP SECURITIES | Denmark | DK |
| Mr | Kanechiku | Rei | Japan Securities Depository Center, Inc. (JASDEC) | JASDEC (Affiliated Member) | Tokyo |
| Mr | Kobayashi | Yusuke | Japan Securities Depository Center, Inc. (JASDEC) | JASDEC(Affiliated Member) | Tokyo |
| Mr | Borries | Armin | Clearstream | Germany | CZ |
| Mr | Zawistowski | Marcin | The Central Securities Depository of Poland | PL | PL/WAW |
| Mr | Pillay | Kumaran | Strate Ltd | South Africa | ZA |
| Mr | Weidner | David | European Central Bank | European Central Bank | Frankfurt/Germany |
| Mr | Schütter | Stephan | UBS AG | Switzerland | CH / Zürich |
| Mr | Auf der Maur | Philipp | SIX SIS AG | Switzerland | CH / Olten |
| Mr | Caviezel | Reto | Zürcher Kantonalbank | SKSF | Switzerland |
| Mr | Aulie | Hans Martin | DNB Bank | Norway | NO/Oslo |

| Mr | **Van Andel** | **Ton** | ABN AMRO Clearing | Netherlands | NL / Amsterdam |

Chair and Co-Chairs are in **bold green**.

# Wednesday 21st September (Plenary Session and Harmonisation Charter)

1) **Harmonisation Charter (Evelyne) :**

Common session: Update on the ISO 20022 programme in general
Each SMPG sub group: Presentation of the New Version and Release mgt Best practice. It was indeed decided with the SC that SWIFT would explain that new process agreed with the MIs participating to the MI summit. The objective was to request to each group their opinion on the global SMPG "support" of the Charter - the SC wanted to get feedback from each group specifically on that dimension of the Charter related to version and release management.

Each sub group was in favour of the support of the Harmonisation Charter and the below comments were raised:

✓ Change in definition can be sometimes important although there is no change to the schema. This is indeed true and therefore this will fall into the "No Change" category with a potential change required in business process description/message flows. If however, the change of definition is indeed accompanied with a change of qualifier name or change in the 4 letter codes, then there will be  a change in the schema and the CR will fall into the "Technical" or "Business" change (depending on the usage of that qualifier by the community). -> clarification added in V&R mgt document
✓ Scope of the Harmonisation Charter should be extended (cf in CH in the Funds business area, there are no MI but service provides such as UBS..) -> clarification added in V&R mgt document
✓ Option to support 2 versions should really specified as an EXCEPTIONAL deviation to the Best Practice that is to only support one version. -> clarification added in V&R mgt document
✓ Chart should be simplified and the "Optional Impact" actually can fall into the "Unclassified impact" category since the MI will have anyway to do a second step analysis -> Done
✓ "Technical Change" should be renamed to "Technical Header change". "Business change" should be renamed to "payload Change" – -> clarification of those two types of change added in V&R mgt document
✓ Question about the supplementary data. Risk that multiple sup data proliferates between releases. -> clarification added in V&R mgt document
✓ Variant should not be used to avoid again the proliferation of such flavours of the schemas -> not related to Version and release mgt process. The usage of variants is clearly described on ISO20022.org page
✓ The classification of CRs is straight-forward for standards for which SWIFT acts as submitter. For standards of submitters other than SWIFT, it would

be good if the RA could add, on an optional basis, a place or a facility where the submitter could provide an indication of the type of CR (specifying one of the possible values as stated in your presentation). The classification proposed by the submitter could later on be reviewed by the SEGs assigned to review the CRs. If need be, the SEGs could amend the original classification of the submitter.  Comment was also made that MS may at some point also be used to request feedback on CR and then could be used by any submitting organisation. -> Feedback shared with RA


The information related to the SMPG support of the Charter has been officially announced at SIBOS in Geneva.

# Thursday 22nd September (T2S/Regulation Day)

2)      **Previous meeting minutes – Review open action items (Evelyne)**

Partial settlement – remaining open questions

✓  Remaining quantity that needs to be cancelled on a partial settlement
✓  Reporting (MT536/537) on partial settlements (and ISO 20022 equivalents)– report on the amount that is settling on that business day. In the case of multiple partial settlements within the same day, they should be reported individually as settlement occurred.

   AP: Market practice with updated wording to be distributed for review/finalization

3)      **ISITC update (Jason)**

CSD/Market Impacts to messaging:
   ✓  Hungary (KELR) local Ids changing from 4 to 8 characters.  Wave 4 market that will switch to BIC11s? Follow up must be provided.
   ✓  T2S wave 3 – EGSP local IDs switch to BIC11s for REAG/DEAG – late notice in June
   ✓  T2S wave 4 – Clearstream local participant IDs will still be accepted in REAG/DEAG
   ✓  T2S PSET BIC11s tracking sheet – updated with open markets for wave 4 and 5
   ✓  Ghana, new CSD system ( CSD fee amount as part of net settlement)
   ✓  Research fees breakdown incorporated into price of security or FX rate – listed derivatives, FX forwards
   ✓  Place of Trade requirements – alignment on usage. Mandatory for some markets while not allowed in others.
      ▪  Poland, Place of Trade – not mandatory for OTC,  usage guidelines updated in latest NMPG MP on page 6 of attached: http://www.smpg.info/typo3conf/ext/um_efmausers/pi1/includes/classes/download.php?file=/3_Settlement         and         Reconciliation WG/C_Local                                         Market Practices/Poland/PL_Settlement_MarketPractice_v5.1.pdf
      ▪  CSD-R will require T2S markets to have Place of Trade and Place of Clearing

   ✓  Additional markets will be added as future migrations on a per CSD basis – Poland; DKK

| BIC11 PSET Confirmed? | Usage of BIC11 allowed prior to migration | TS2 Wave | BIC | BRANCH | Market | CyCd | PSET Name |
|---|---|---|---|---|---|---|---|
| Y | Y | 4 - Feb 6, 2017 | DAKVDEFF | XXX | GERMANY | DE | Clearstream Banking Frankfurt |
| Y | ? | 4 - Feb 6, 2017 | KELRHUHB | XXX | HUNGARY | HU | Központi Elszámolóház és Értéktár Rt (KELER) |
| Y | Y | 4 - Feb 6, 2017 | LUXCLULL | XXX | LUXEMBOURG | LU | LuxCSD S.A |
| Y | N | 4 - Feb 6, 2017 | OCSDATWW | XXX | AUSTRIA | AT | Oesterreichische Kontrollbank AG (OeKB) **Live date of the new PSET BIC: 11th September 2015** |
| | | 4 - Feb 6, 2017 | CSDSSKBA | DTA | SLOVAK REPUBLIC | SK | CENTRALNY DEPOZITAR CENNYCH PAPIEROV SR, A.S. |
| | | 4 - Feb 6, 2017 | CSDSSKBA | XXX | SLOVAK REPUBLIC | SK | CENTRALNY DEPOZITAR CENNYCH PAPIEROV SR, A.S. |
| Y | Y | 4 - Feb 6, 2017 | KDDSSI22 | XXX | SLOVENIA | SI | Centralna Klirinsko Depotna Druzba d.d. (KDD) |
| | | 5-Sept 18, 2017 | CSDLLT22 | 577 | LITHUANIA | LT | Lietuvos Centrinio Vertybiniu Popieriu Depozitoriumo |
| | | 5-Sept 18, 2017 | CSDLLT23 | RTG | LITHUANIA | LT | Lietuvos Centrinio Vertybiniu Popieriu Depozitoriumo |
| | | 5-Sept 18, 2017 | CSDLLT24 | XXX | LITHUANIA | LT | Lietuvos Centrinio Vertybiniu Popieriu Depozitoriumo |
| Y | Y | 5-Sept 18, 2017 | APKEFIHH | XXX | FINLAND | FI | Finnish Central Securities Depository Ltd (APK) |
| | | 5-Sept 18, 2017 | ECSDEE2X | XXX | ESTONIA | EE | Estonian CSD |
| ~~Y~~ | ~~Y~~ | ~~5-Sept 18, 2017~~ | ~~IBRCESMM~~ | ~~XXX~~ | ~~SPAIN~~ | ~~ES~~ | ~~Iberclear~~ |
| Y | Y | 5-Sept 18, 2017 | IBRCESMM | SCL XXX | SPAIN | ES | Iberclear (Equities and other SCLV eligible trades) |
| Y | Y | 5-Sept 18, 2017 | IBRCESMM | CDE | SPAIN | ES | Iberclear (Governent Debt and AIAF trades) |
| Y | Y | 5-Sept 18, 2017 | IBRCESMM | MVL XXX | SPAIN | ES | Iberclear (Latibex Trades) |
| | | 5-Sept 18, 2017 | LCDELV22 | ??? | Latvia | LV | Latvijas Centràlais Depozitàrijs |
| | | 5-Sept 18, 2017 | LACBLV2X | ??? | Latvia | LV | Latvijas Centràlais Depozitàrijs |

✓ Factored securities - MP has been amended, ISO20022 illustration added.

## 4) SWIFT Board paper on ISO 20022 (Victor Abbeloos)

SWIFT is executing consultation related to ISO20022.

ISO 20022 standard was introduced back in 2004. According to coexistence paper published in 2010 rapid migration was unlikely and not needed, coexistence was the right approach, but universal adoption is well on track

2016 is the right time to review the situation and set the way forward.

SWIFT presented the survey covering various aspects of ISO20022 usage, maintenance and co-existence.

The survey is being used now in the consultation with selected SWIFT customers. This 2016 consultation based on 25 biggest user firm 1:1 meetings

SMPG members individually filled out the survey during the meeting.

The consultation will follow for about next 6 weeks. Based on the results, SWIFT will prepare the board paper that should be ready for December.

## 5) T2S migration update (David Weidner)

- Wave 3 of CSDs joined T2S on 12 of September including: Euroclear France, Belgium, Netherlands; VPS, VP Luxembourg. Volume doubled overnight with wave 3 migration – 45% of total volume now live.

  There are 12 CSDs on board now with 6 more joining in February 2017, followed by 5 next in September 2017.

  NCBs are migrating too, in line with the respective CSDs.

  Approximately 50 institutions connect to T2S via direct connectivity (DCP).

  Overall availability and stability since June 2015 with no major issues is over 98% to date. Target2 and T2S connectivity also working well to date.

  Settlement efficiency: 95 % on average (transactions settled on the intended settlement day) this isnot factoring in wave 3 Euroclear migration yet.

- CSD-R rules in 2017 will make optional services mandatory for investment managers.   Penalties for non-efficient settlement (fails) are still being discussed. E.g. buy-in procedure and responsibilities, will fees be based on value or number of fail transactions, how will charges be evaluated and by whom (T2S  or CSDs) etc..

  The ECB is addressing the issue with the EU Commission. An agreement will be reached on the penalties in the next 12 months to two year period,when all markets will have migrated and depending on the ESMA technical standards final publication.

  Despite no final decisions have been taken, some institutions are already reviewing their client's charges scheme to advise the client reasonably in advance.

- France raised the question on how will T2S manage message versions, while there are still more waves to come, there is no guarantees there will be no more delays. T2S comment: messages not registered at ISO are no risk at all from standardisation point of view.

  T2S is still far away from implementing the yearly release as many T2S change requests are still in the pipeline and need to be prioritized. When a certain level of stability will be reached T2S will enter the yearly process. Next upgrade of messages to the latest version will be in 2018.

- T2S has about 86 unregistered message types today. They will go for registration after wave 5.

  SGX, ASX and Euroclear Finland have shown some interest in the T2S proprietary messages over the next 2-3 years. It is the objective to register these messages to ISO even though at the moment the priority is to limit the impact on the T2S participants that have migrated or will be migrating soon. Any institution interested in the use of these messages should formally make the request to the RA, explaining which messages there are interested in, in what business context and for when. The RA will then make the formal request to T2S SC.

  How supplemental extension information within the T2S messages will be incorporated into structured fields of the schema and registered as ISO messages will have to be evaluated then.

- Hungary Local participant ID (KELR) replacement with BIC11s in REAG/DEAG


  Migration of KELR code from 4 characters to BIC 8 format will be a CSD decision prior to migration based on various scenarios.

  BIC11 will be the minimum T2S requirement for wave 4 migration with the KELR code in the 97A::SAFE under the REAG/DEAG as optional. So BIC will be sent in DEAG/REAG field :95P:: with Keller account in field :97A:: by indirect participant and the direct participant will switch the info to BIC 11 when sending info to T2S.

  <span style="color:red">AP: SMPG to follow up with Hungarian market to validate if BIC11 can be used in REAG/DEAG instead of KELR ID ahead of wave 4 migration mandatory in order to allow DCP not have to make change to support 8 character ID and then change again to BIC11 in February, 2017.</span>

- Main focus in 2016 for T2S: the definition and implementation of a harmonised settlement discipline regime.

  There are about 60 CRs in the pipeline. Release 2.0 of T2S expected potentially in 2018.

  Future plans for T2S include: technical consolidation of T2 and T2S and consolidation of national collateral management systems. Harmonisation of CA in T2S, including transformation processing, is also discussed. ESES will support transformation in 2017.

- Question about statistics on 2nd layer matching was raised. No numbers at the moment are available.

AP: ECB will investigate

- DK issue: as an end-investor country the CSD holds securities accounts for private persons. When transactions are instructed in the CSD the party 1/REAG-DEAG is the account controller (bank handling the account for the private person), and the party 2/BUYR-SELL is the name of the person with a safekeeping account (i.e. mandatory safekeeping account in scenarios with private persons).

  The issue was first raised in connection with T2S's requirements for the party 2 details, as the private person does not have a BIC or an LEI. Therefore it is not possible to match our instructions on that level all though this is mandatory in VP.

  VP would like to have T2S match on the safekeeping account – issue must be raised directly to XMAP.

- T2S does not support the safekeeping account for party 2 in the allegement, and therefore the CSD or the account controller has no idea which account to alledge.

AP: SWIFT to follow up on this issue

6) Exact time/event to change from PEND to PENF status.


https://www.ecb.europa.eu/paym/t2s/progress/pdf/tg/crg/crg77/04.t2s_0609_sys.pdf


T2S requires clarification on the exact time to change status from PEND to PENF.


Status change from PEND to PENF will be applied in T2S

✓ At the end of the DVP cut-off (just past 4pm) for DvP instructions
✓ After closure of the settlement window (just past 6pm) for FoP instructions.

Change will not be applied at 4pm/6pm sharp, but seconds/minutes later, because an instruction received seconds prior to the cut-off is still eligible for settlement on the same day, which may result in a situation where actual booking takes place seconds/minutes after the cut-off due to processing time in T2S. Change of status is only applied once all eligible instructions were at attempted for settlement at least once and the settlement window closes for the business day.

To get reports on changed status on T2S you have to subscribe to them.


7) Delta reporting MP (Topic 11 Helsinki agenda) (David Weidner)


Delta reports using the same formats as complete reports to perform interim reconciliation to reduce size and cost of end of day reporting reconciliation. Except for cash statements where the MT941/942 MX equivalents are used instead of the MX equivalent of the MT940/950 end of day used as an intra-day statement.

From T2S, a delta version is available for all of the most commonly used report types in ISO20022 – end of day statement can be setup to only receive what has changed since the last delta statement or to receive the full day's activity/balances.
✓ Intra-day reporting capabilities include:  Report of settled transactions; Report of executed modifications; Report of executed cancellations; Report of pending instructions;  Report of Allegements (new, modified removed or cancelled); Securities balance custody report (sub-positions within single security as well)
✓ Report of pending modifications not applicable for T2S

Delta reporting is not recommended as an unique source of information – for example, month end internal book keeping process should remain in place to ensure any discrepancies from day to day intra-day reporting process. Full system balance reconciliation on a yearly basis is also recommended.

T2S MP has added value as it is quite generic and may be adopted to be global a MP. To be re-evaluate at a later stage as some T2S specificities might have to be removed for that purpose.

**AP: JP NMPG was requested to review the MP as they use delta reporting. They will advise if there are diverging points. Then a final review will have to be done to evaluate whether this MP can become a global one. A special attention should be taken in terms of pending and posting report equivalence from an opening and closing balance point of view.**

**AP: MP should also be shared with ASX that will be using the ISO 20022 reconciliation messages.**

8) **LEI for the client of the CSD participant (topic 17 of Helsinki agenda)**

Option 1: T2S uses a proprietary format to carry LEI code. For T2S the requirement (still under discussion in XMAP) could be that the LEI should be the only, not the additional id of the customer. That would require a change in the ISO.

Option 2: use the existing (new in 2016) LEI field in S&R messages.

Option 3: still use a proprietary field.

SMPG suggestion: T2S should use the new dedicated LEI format introduced in S&R msgs (option 2). The consequence would be that another id, for instance a name , should be provided together with LEI. The concept has to be built into T2S. This requires T2S CR.

At the moment nobody seems to be using the LEI in the life cycle of the trade. It is not clear from the regulator point of view where, what and when it will be mandated. Quite a lot of discussions are still taking place and there is a debate between the added value of including the LEI info as of the start of the trade lifecycle till the end or cross referencing the LEI with the BIC upon creation of the regularity reporting. Cross referencing BIC with LEI makes the responsibility lies with the entity generating the reporting. Should the information be received as of the beginning then the responsibility would be shifted.

9) **Transaction activity mapping (topic 7 Helsinki agenda)**

Change request was recently been raised towards T2S, but it has not yet been prioritised for any of the upcoming T2S releases. Follow up will be done through the SGMS group.

10) Consistent transaction codes across MX messages (topic 8 of Helsinki agenda)

A related change request was raised at T2S level and at ISO level to align at least those ISO Transaction Codes which are required by the T2S community. As optional requirement the ISO CR requests a general alignment of all ISO Transaction Codes, independent from current usage. The CR is still pending on ISO level.

SMPG reaffirms its position; no full alignment will take place without a proper business case.

11) Regulations: e.g. Spanish reform progress (common session)

There are some issues as Spanish Reform and Iberclear not being aligned to T2S formats. The examples e.g. Settlement Transaction Types.

The main two types of transaction type used are OWNI and OAUX (the latter with a Data Source Scheme IBRC). The use of OWNI does not comply with SWIFT Standards / global market practice (the transactions are not sent from the same sender) so they're not really internal account transfers.

For transaction type :22F::SETR/IBRC/OAUX, according to Spain, this is required for "SIFA" account holders and if either a client, counterparty or both are a SIFA account holder, both sides of the transaction are required to populate that field.

The problem – according to T2S guidelines on MyStandards, the use of an "Issuer" and "Proprietary Code" are restricted and therefore could not be instructed by a DCP to T2S.

The ECB rep (David) and Bundesbank (Gunnar) appears to both be unaware of Spain using this but agreed it would not be allowed in T2S and would therefore need to be looked at.

AP: SMPG and ECB to follow up on that issue

# Friday 23rd September (SR2017 Day)

12)     SR2017 maintenance status update - CR and maintenance update (Alex)

13)     Change request forum update (Alexandre Hotat)

The initial idea was to enable smaller countries to have an opportunity to comment and express their views on the proposed changes.

The tool is available for MT 15022 now. It may be extended to ISO 20022 in the future. Then it may become more viable and important.

After a few discussions, it was agreed that the members of the MWG are allowed to comment in the tool as this will trigger some dynamic in terms of feedback and comments. SWIFT people are excluded from sending comments but can of course answer them.

The awareness of the tool should be improved in the local communities.

The results from the first year are not significant but they are expected to grow next year.

14)     ISO20022 and ISO15022 release discrepancy related to standard releases (Axelle)

The interdependency between the two standards is getting clearer. The live date is already harmonised (November), but the rest of the process is not fully harmonised, but quite clear.

The lack of full harmonisation of CSDs is difficult to achieve due to different legislation, tax models etc. CSD clients often do not want to implement changes

One of the aims of harmonisation charter is to exchange and harmonise the timelines for various MIs. If the messages are used out of SWIFT network, SWIFT cannot control it.

Communication between custodians and CSDs is still much less standardised and may become the next focus point.

The scope of the client-custodian communication is usually smaller than custodian-CSD (e.g. T2S) communication.

15)     SMPG discussion point allegement reminder - new message in ISO 20022 (Karine)

In ISO 15022 a new function was added to the MT586 message (CR1085 submitted by Switzerland). ISO 20022 philosophy is to have one function per message. Considering the low volume of reminders in the allegement process, the group agreed in ISO 20022 to use an existing message semt.021 Securities Statement Query and not to create a specific reminder message. Allegement market practice will be updated

accordingly in 2017 and shared with the group for review. Should BE or CH move to ISO 20022 one day they will be able to evaluate in advance whether this message meets their requirements.

**<span style="color:red">AP: SWIFT will send the updated document to Switzerland to review. It was also recommended that in terms of SMPG MP, that the linkages/references should be clarified for the MT 586s exchanged</span>**.

## 16)   MP ISO 20022 updates illustration (Evelyne)

- Securities Lending and Borrowing MP (Robin) – do we need to include single vs. multi message method scenarios in document or defer to Repo MP? SMPG reckoned this was not required as this process is clearly described in the Repo MP.

  Remarks and questions:
  - ✓   The closing leg should include the reference to the opening leg in the illustration of linking the legs.
  - ✓   In ISO15022 there is no illustration for the closing block. What should we do in ISO20022? There should be an illustration the closing amount.

➔ ISO 20022 UGs have been posted on MS

- Hold/Release and Transaction Processing Command MP (Marcin)
  Remarks and questions:
  - ✓   Trade date in status message should be added.
  - ✓   Table of content should be more specific both for new ISO20022 as well as for the existing ISO15022 parts.
  - ✓   Matching denial illustration should be added (function added 2 years ago to the standard).
  - ✓   Hold/release chapter in Transaction Processing Command MP should be deleted as we have a separate Hold/Release MP document.
  - ✓   Some references and typos should be corrected (references to MT548).

➔ ISO 20022 UGs have been posted on MS

- Evelyne prepared ISO20022 illustrations for:
  - ✓   Bilateral collateral,
  - ✓   Depository receipts,
  - ✓   Factored securities (covered by Jason). Factored Securities – updated with ISO20022 illustrations. Illustrations contained incorrect Creditor and Debtor party within PPO payments needs to be updated and redistributed for finalisation.

  ISO 20022 UGs have been posted on MS

- Remaining MPs (Karine):
  - ✓ Repo –the draft ISO20022 illustrations ready for December 2016
  - ✓ Listed Derivatives draft finalised October 2016 and under review for December 2016
  - ✓ Status Advises draft finalised in November and under review for December 2016
  - ✓ Buy-sell back will be done next year (post SR2017) since two codes were missing in current version of the ISO 20022 message.

## 17) Transformation business flow - reference question (Karine)

The SMPG confirmed the below

Original instruction MT 54X is sent from the AO to the AS - Identification is ABC

Following CA event Transformation a MT548 Cxl is sent for the original instruction from the AS to the AO with Status IPRC//CAND (cancelled) and Reason CAND//CANT (cancelled due to transformation). RELA would be ABC account owner ref.

When the AS has created the replace instruction (with settlement transaction condition indicator set to TRAN) with identification DEF a new MT548 is sent with status IPRC//CGEN (Generated instruction) and reason CGEN//TRAN (transformation) + real status of the transaction for instance matched etc...RELA is mandatory and should therefore include the reference of the original replaced instruction ABC and PREV would include the reference of the replacing instruction with Account Servicer ref DEF.

In theory when an instruction is generated by the AS on behalf of the AO an MT54X (with in Seq A field 23G::NEWM//RECO + in Seq E Settlement Details, STCO TRAN) and an MT548 should be sent to the AO however, pragmatically, from a MP perspective it was decided that just sending the MT 548 would suffice.

The SMPG did not reckon creating a MP was necessary though around the CA and auto-generation process.

In ESES some work is done to harmonize the transformation business process but this will not happen before 2018. SMPG might reconsider the creation of a MP then.

AP: SWIFT will forward the SMPG feedback to Clearstream - DONE

## 18) SWIFT service for S&R ISO20022 messages

ISO20022 is based on CUGs. For S&R there are currently 4 CUGs: T2S, Jasdec, Euroclear, SGX.

Currently SWIFT does not have Open User Group for an S&R solution while they exist for CA, collateral etc. In the past this has been discussed within SWIFT however no request were received from the market. At the moment only the MIs are adopting ISO 20022 and they all want a CUG. Should there be a need to have an OUG then the request should be done to SWIFT and this should take between 3 to 6 months. This being said some additional discussions will take place within SWIFT to seriously consider opening such a UG as it seems that some groups such as Funds are considering adding ISO 20022 S&R messages in their CUG because no S&R open user group is available.

AP: SWIFT to follow up.

## 19) End of SMPG meeting and request for subject for the next meeting

- Demo on MyStandards UG (proposal repo…not sure really far too difficult TBC)
- Presentation on the results Victor's survey
- Update on T2S migration wave

- Un-cleared derivatives initial and variation margin
  - ✓ Financial Transaction Tax (FTT)
    - US – nothing of note yet on potential tax
    - EU Financial Transaction Tax – expectation September deadline will be missed. Looking to December for decision

- Status on Harmonisation (Charter) and MPs
- ESMA Regulatory reporting flows clarification for MIFIR, SFTR etc… (e.g. in transaction report what if some occurrences are rejected) and elements to be included and how
- Brexit effect update
- Impact of regulations on existing messages

- Regulations status MiFID/MiFIR/EMIR/CSD-R/SFTR/PRIIPS European Regulation (Paul Janssens or Frank Versmessen)

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- Un-cleared derivatives initial and variation margin
  - ✓ Financial Transaction Tax (FTT)
    - US – nothing of note yet on potential tax
    - EU Financial Transaction Tax – expectation September deadline will be missed. Looking to December for decision

- Update on voluntary CA and transition
- Repo MPs to be reviewed. Reconsider the 1 vs 2 MPs. This is an

  opportunity to harmonize
- XMAP activities update (a link between XMAP and SMPG would be nice

to

have),
- DLT based solutions update
  - ✓ ISITC/R3 cooperation:

    - Voluntary Corporate Actions use case
    - Custodian transitions use case

  - ✓ France – smaller corporates issuing shares on DLT
  - ✓ Australia – CHESS converting to a blockchain distributed ledger (DLT) market infrastructure through coordination with Digital Asset Holdings using ISO20022 interoperability. SWIFT working closely with DAH and CHESS on implementation. http://www.asx.com.au/documents/public-consultations/ASX-Consultation-Paper-CHESS-Replacement-19-September-2016.pdf

- Country updates

- ISO: ISIN for OTC derivatives (additional attributes are needed to identify the contract)