



Your Gateway to Securities Standards !

SMPG Dublin meeting April 26 – 28, 2017

Hosted and sponsored by:

Meeting Venue:

Citigroup Europe PLC
1 North Wall Quay
Dublin 1, IE

Dress Code:

Meeting: Smart Business casual

Sponsored by:



I. Meeting Global Agenda

Wednesday 26th of April

8:45 – 9:15	Arrival & Check-in at Citi premises (1 North Wall Quay Dublin 1) and Welcome Coffee
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Morning Session

9:15	Plenary Session 1 – Welcome Address
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9:15 – 9:30	<p><u>Welcom Address Agenda</u></p> <ol style="list-style-type: none"> 1. SMPG Welcome Address (Karla Mc Kenna, SMPG Chair, ISITC) – 5’ 2. Welcome Address by Host (TBC, Citi) – 5’
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**Securities Market Practice Group
Dublin Meeting 26 to 28 April 2017 - Invitation and Agenda**



	3. Global Meeting Schedule (Jacques Littré, SMPG General Secretary) – 5'		
9:30	End of Plenary Session 1		
9:30 – 11:00	Corporate Action WG	Investment Funds WG	Settlement and Reconciliation WG
11:00 – 11:30	Coffee Break		
11:30 – 13:00	Corporate Action WG	Investment Funds WG	Settlement and Reconciliation WG
13:00 – 14:00	Lunch		
Afternoon Session			
14:00	Plenary Session 2		
14:00 – 15:30	<u>Plenary Session 2 Agenda</u> 1. Presentation TBC (ISITC Europe) – 30' 2. Presentation TBC (Institute of Bankers) – 30' 3. ISO TC68 Strategic Review & Restructuring (Karla McKenna) – 30'		
15:30 – 15:45	Tea / Coffee Break		
15:45 – 17:15	4. EMEA Regional Updates – 20' 5. Americas Regional Updates – 20' 6. APAC Regional Updates – 20' 7. AOB – 10' 8. SMPG Steering Committee Members Elections – 20'		
17:15	End of Plenary Session 2		
Evening Event			
17:30 – 22:00	Evening Event TBC		
22:00	End of Event		



Thursday 22nd of September

8:30 – 9:00	Arrival & Check-in at Citi premises (1 North Wall Quay Dublin 1)
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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 – 17:30	Corporate Action WG	Investment Funds WG	Settlement and Reconciliation WG
Evening			
	Free Evening		

Friday 23rd of September	
8:30 – 9:00	Arrival & Check-in at Citi premises (1 North Wall Quay Dublin 1)
Morning Session	
9:00 – 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 (Please indicate in the registration form if you stay for lunch)
13:30	End of meeting



II. Meeting S&R Agenda

Wednesday 26th of April

Morning Session

<p>9:30 – 11:00</p>	<ul style="list-style-type: none"> - Welcome + tour de table (Alex) - Co-Chair Voting - Demo on MyStandards UG (Alex/Karine)
<p>11:00 – 11:30</p>	<p>Coffee Break</p>
<p>11:30 – 13:00</p>	<p style="text-align: center;">All subject About MP</p> <ul style="list-style-type: none"> - Country updates (ISITC/Asia/Brexit....) - Repo MPs to be reviewed. Reconsider the 1 vs 2 MPs. This is an opportunity to harmonize – Karine - ISO: ISIN for OTC derivatives (additional attributes are needed to identify the contract) – (Axelle) - Portfolio transfer ISO20022 illustration review – (Karine) - For information – Swift performed the migration of the S&R MP from SR2015 to SR2016 and to SR2017.

Thursday 22nd of September

Morning Session

T2S – Regulation Subjects

09:00 – 10:45

- For info to SMPG only: Status update on T2S migration – Wave 4 has successfully migrated(T2S-David)
- Delta Reporting – Input from JASDEC on their usage of delta reports, comparison with market practises in T2S (JASDEC-Rei)
- Current status on CSD-Regulation and plans for implementing the requirements in T2S (including the definition and implementation of a harmonised settlement discipline regime based on a new failing status in T2S (PENF)) (T2S-David)
- Question about statistics on 2nd layer matching was raised. No numbers at the moment are available. (T2S-David)
- XMAP activities update (including update on discussions in the T2S community around usage of LEI for Party2 identification) (T2S-David)
- Partial release functionality – Request to partially release a party hold (only relevant in combination with a partial settlement functionality) was raised by the French market. SMPG is asked whether partial release is already in use in some markets and if not whether it should be introduced as international recognised functionality of an SSS. (T2S-David)
- For info to SMPG only: Way forward on upgrading T2S to a newer version of ISO20022 (currently running on ISO2012 version).(T2S-David)
- For info to SMPG only: Transaction activity mapping (topic 7 Helsinki agenda) Change request was raised towards T2S, but it has not yet been prioritised for any of the upcoming T2S releases.
- Addition of a second set of Settlement Parameters in sese.023 to allow provision of deviating processing information for DELI and RECE side in an already matched settlement instruction.
- Hungary Local participant ID (KELR) replacement with BIC11s in REAG/DEAG. (ALEX)
 - o According to the new standards, the DEAG/REAG will be identified by BIC11. However, it will be possible to instruct the BIC8, in which case KELER will add the branch code.
 - o A link to the latest service description can be found here (in English): [Service Description \(https://english.keler.hu/Strategy/SMP-BANCS%20project/Business%20Description/tabs/Service%20description/2017/Service%20Description_v10.0.pdf?download\)](https://english.keler.hu/Strategy/SMP-BANCS%20project/Business%20Description/tabs/Service%20description/2017/Service%20Description_v10.0.pdf?download)
- 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 Sub-group Message Standardisation (SGMS) (Ton)
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10:45 – 11:00	Coffee Break
11:00 – 12:30	<ul style="list-style-type: none"> - Regulations: e.g. Spanish reform progress. (Karine) - T2S does not support the safekeeping account for party 2 in the allegation, and therefore the CSD or the account controller has no idea which account to alledge.(Helle) - Un-cleared derivatives initial and variation margin. (Jason/Axelle) Financial Transaction Tax (FTT) <ul style="list-style-type: none"> ▪ <u>EU Financial Transaction Tax – expectation September deadline will be missed. Looking to December for decision</u> - Review of the draft for MIFIR MP proposed by DESSUG (see the draft posted) (Denis) <ul style="list-style-type: none"> ○ LEI can only be used for legal entities. Does the proposed MP cover the individual person identification? For individual persons, MIFIR requires reporting the first and last name, birth date, as well as national id or so called CONCAT code. The party identification should also be split into: <ul style="list-style-type: none"> - Client-Person/legal entity - InvestorDecisionMaker-Person/Algorithm - ExecutionWithinFirm-Person/Algorithm Is it possible to put the required personal id's into settlement messages? If not, at what stage and how those additional data should be added to meet the reporting requirements? ○ Try to gain some feedback on 'unbundling of charges'. (Robin/Charles)
12:30 – 13:30	Lunch
Afternoon Session	
13:30 – 15:30	<ul style="list-style-type: none"> - Impact of regulations on existing messages. SMPG should be aware that work need to start an analysis based on the work currently going on with AFME. – Ask Axelle / Paul Janssens / Charles - Regulations status MiFID/MiFIR/EMIR/CSD-R/SFTR/PRIIPS European Regulation (Paul Janssens or Frank Versmessen)
15:30 – 15:45	Coffee Break

15:45 – 17:30	<ul style="list-style-type: none"> - SWIFT service for S&R ISO20022 messages (Karine-Janice) - 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 – Ask Vincent - Regulatory reporting : ESMA introduced a file header - head.003.001.01. Are there any plans to make this header an ISO standards and maybe SMPG recommendation/requirement for other business areas as well? In my opinion there is a common need for it. -
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Friday 23rd of September

9:00 – 10:45	<ul style="list-style-type: none"> - Presentation on the results Victor’s survey (Alex/Karine) - Status on Harmonisation Charter (Alex/Karine) - S&R message versions in context of T2S and Harmonisation charter. What is the recommended version of S&R ISO20022 messages to be used by European MI that signed the Charter? The latest one or T2S one or e.g. Jasdec one? I’m looking for a practical advice in the project we just started in Poland. (Marcin) - DLT based solutions update – (Jason/Asia / Axelle) <ul style="list-style-type: none"> - <u>ISITC/R3</u> cooperation: <ul style="list-style-type: none"> - Voluntary Corporate Actions use case - Custodian transitions use case - <u>France</u> – smaller corporates issuing shares on DLT - <u>Australia</u> – CHES converting to a blockchain distributed ledger (DLT) market infrastructure through coordination with Digital Asset Holdings using ISO20022 interoperability. SWIFT working closely with DAH and CHES on implementation (http://www.asx.com.au/documents/public-consultations/ASX-Consultation-Paper-CHES-Replacement-19-September-2016.pdf) -
10:45 – 11:00	Coffee Break

11:00 – 12:30

- Payment messages for the custody business: MT103 vs. MT202 / ISO20022. And more payment messages. (Charles)
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III. Meeting S&R Minutes

1. Co-chair elections

Axelle Wurmser was unanimously elected for the next term as a co-chair of S&R group.

2. Market Practice documents update (Karine Taquet)

Repo market practice

The market practice should be split into two documents: ISO15022 and ISO20022. There are dedicated messages in ISO20022 covering repo functionality; hence there are significant differences in the flows. Updates ISO 15022 document and new ISO 20022 will be reviewed at the SMPG in Luxembourg in September 2017.

Portfolio transfer market practice

The Portfolio Transfer ISO 20022 illustrations are yet to be finalised. When the reverse engineering of the Settlement Reconciliation messages was done back in 2008, the MT586 (Allegement Report) was split into the semt.019 (Securities Settlement Transaction Allegement Report) and the sese.037 (Portfolio Transfer Notification) following the ISO 20022 concept one business function per message. Back then the statuses in the MT586 were used only for the allegement process and therefore the status/reason were not mapped to the Portfolio Transfer Notification.

However back in 2015 and 2016 the CH and the BE National Market Practice groups have been working on the Portfolio Transfer market practice and both groups reached the conclusion that status and reason were also required in this message. Therefore Status and Reason must be included in the sese.037 to allow the receiving party to provide an answer for each position to be delivered by the delivering party. A change request will be submitted for Standards Release 2018 the SMPG to meet this requirement. (Action Point: Karine Taquet)

The status of the related T2S market practice for portfolio transfers was also discussed. It was originally created by the Italian market but reviewed and updated within the European Working Group Portfolio Transfer (EWGPT). The scope of the SMPG and the EWGPT market practices are slightly different. The SMPG market practice is related to the process before sending settlement instructions, while the EWGPT one is dealing with the instruction flows exchanged via the T2S settlement system.

XMAP did not approve the EWGPT document, mostly due to tax related harmonisation issues, but the market practice might still be used by some of the members of the EWGPT only such as Italy.

3. ISIN for OTC derivatives (Axelle Wurmser) – [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

Presentation of the initiative to build an efficient global mechanism to assign standardised identifiers for OTC derivatives products.

Today OTC derivatives often do not have a proper identifier. This situation causes issues, especially in the transaction reporting space.

Key regulatory and market associations are involved, including: CPMI, IOSCO, ISDA and ESMA.

A new study group has been created under ISO umbrella (ISO/TC68/SC4/StudyGroup2) to address the issues. The group gathers around 140 people representing major industry bodies, regulators, as well as individual institutions.

ISIN code was selected as a proper solution and a special “EZ” prefix was selected to identify OTC derivatives globally.

There are numerous attributes that should be attached to ISIN, which may vary for different categories.

ISIN identifier provides sufficient space to identify all the products under consideration. There are about 26 trillion combinations possible to achieve using ISIN. According to the simulations results, in the worst scenarios the id should be sufficient for at least 240 years.

ANNA created a Derivative Service Bureau for the issuance and maintenance ISINs for OTC derivatives, including other attributes, like CFI and FISN.

According to the schedule, by the end of 2017 the solution should ready to be implemented. The key capacity numbers:

- up to 200 users concurrently connected to the system
- 16 million daily messages
- availability: Sunday 1900 UTC to Friday 2200 UTC

The open question is about the link of this initiative to UPI (Unique Product Identifier). The work around UPI is on-going and is being coordinated by CPMI-IOSCO.

4. **ISITC update (Jason Brasile)** - [Global Meeting Documents](#) - path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

Market sub-CSD mandates – spreadsheet

There are a number of events and changes identified in the spreadsheet, concerning local markets around the world.

Input and updates to the document should be provided in a timely manner. ISITC is currently updating this Excel sheet and the question was raised whether this info should not be compiled with the current local market practice Excel sheet posted on the SMPG website.

SWIFT should follow that up to see whether this is possible (**Action Point: Alexandre Hotat**)

Poland confirmed the change in repo processing in their market as of April 24th 2017. The PL local market practice was updated accordingly and it is now published on the SMPG website.

With the T2S last migration wave, the BIC 11 of Lithuania, Latvia and Estonia must be confirmed (**Action Point: Alexandre Hotat**)

Confirmation is also required for the Place of Settlement BIC for government bonds in Uruguay and Columbia (**Action Point: Alexandre Hotat**).

Non-deliverable forwards

New fields have been added compliant with SR2017. The samples have been updated. For the details please refer to the document.

Adoption is on volunteer basis but continues to grow.

MT396 market practice

The MP describes the status message sent from FX infrastructures (CLS, but not only) to the settlement members and investment managers.

Securities vs cash market is not fully clear for this MP. The document is not meant to be SMPG official document.

US Settlement and Confirmation market practice

New code-words have been added to the market practice following the Standards Release 2017 (e.g. Not accounting indicator).

5. Spanish reform related issues

The issues around Spanish Reform and Iberclear not being aligned to T2S formats (e.g. Settlement Transaction Types) are still pending.

Background from last SMPG:

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 are not 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 SMPG confirmed there is a misuse of the settlement transaction type. These transactions cannot be considered as account transfers. Moreover nothing has been done yet to resolve the issue related to the usage of an “Issuer” and “Proprietary Code” that a restricted fields in T2S.

Action Point: Jason Brasile and Robin Leary to follow up with the Spanish market.

Update since the meeting: additional market practice issues were raised related to securities financing. Iberclear are expecting SECL to be instructed on an open and SECB to be on the close. However, it is the message type that drives the opening and closing process, i.e. an open loan is a deliver with SECL and a closing loan is a receive with SECL. Same applies for Repo and Buy Sell Back.

6. **Asia Update** - [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

SMPG activities are strongly promoted in APAC region.

Local communities are very active. There is also a plan to extend the number of countries participating in the SMPG meetings.

JGB bonds – the settlement cycle will move to T+1 in May 2018.

T+2 for securities in Japan are scheduled for 2019.

7. UK update on Brexit (Robin Leary)

As the process just started, there are no details agreed. There is a 2 year timeframe for the negotiations.

Euroclear UK and Ireland's (EUI) strategy for Irish Equities post Brexit

EUI's intention is to get various components of Irish Market (Registrars, Brokers, Issuers) fully engaged with a view to reaching consensus by mid- 2017 i.e. by the June meeting.

Potential solution to be implemented for a "Hard Brexit" by March 2019.

- Solution only related to corporate securities, within Brexit timetable.
- No need for a connection to T2S, within Brexit timetable.
- An EEA-based 'entity' is needed to connect to T2.
- "A" Third Country Regime will continue to apply post Brexit.
- The appetite for *structural* change among participants is low.
 - *Non-Structural* scenarios envisage adapting current services to the legal and political environment that is anticipated post-Brexit, with no (or limited) change for the Irish Market.
- Euroclear remains open to developing the options over time, depending on the business case and the needs of the Irish Market.

Brexit - No structural change SCENARIO-1 Establish an EUI Branch in Ireland

- EUI to continue to provide services to Irish Clients with no structural impact. This option requires;
 - European Commission (EC) to determine UK legal and regulatory equivalence as well as ESMA to recognise EUI as third country CSD,
 - Revisions to the Euro Agreement in order for EUI to continue CREST euro settlement in central bank money through the branch.
 - Requires detailed dialogue with authorities to formalise requirements.

This remains the most logical option, since it can be delivered by March 2019. However, uncertainty will remain over whether this model will satisfy the final Brexit Third Country requirements and those of the ECB.

Brexit - No structural change SCENARIO-2 Establish a new Irish CSD as a separate legal entity

- New entity, Euroclear Ireland (EI) would be;
 - Incorporated in Ireland and authorised under CSDR by the Irish Competent Authority,
 - The Issuer CSD for Irish Equities but would use the current CREST system (shared with Euroclear UK (EUK),and would
 - Provide services to Ireland from within the EU, continuing the T2 ancillary system arrangements.
- EI & EUK would each need to demonstrate control over its strategy, risk and operations, which will have organisational implication for EUK.
 - Detailed engagement with Irish regulators for their oversight role would be needed.
 - Financial viability without tariff increase would not be possible.

It is believed, despite the governance/legal/operational complexities, that this option could provide a back-up to opening a branch, but maybe not by March 2019.

Brexit - No structural change SCENARIO-3 Unlikely options

- UK remains part of the EEA, where EUI will continue to operate the business with no required changes.
- Leveraging our existing status as a Securities Settlement System (SSS) under Irish law, with a Euro settlement provision under Irish law.
 - We believe these options are not credible because
 - It is now certain that the UK will NOT remain part of the EEA post-Brexit and,
 - There is likely to be very limited political support for a legal characterisation of EUI's existing business as entirely "EU-based".
- EUI remains an Issuer CSD for Irish corporate securities, but leverages the relevant Third Country regime AND outsources just euro settlement to another part of the Euroclear group.
 - We believe this option is not credible because the IT and Regulatory complexities of outsourcing just euro currency settlement are large

8. MyStandards market practice Usage Guidelines demo

The granularity of usage guidelines depends on each market practice. Some level or type of information included on the Word document market practice cannot be mapped into a usage guideline as it would be unreadable for the user.

There are 2 separate repositories one for ISO 15022 and one for ISO 20022.

For an SMPG collection, if a message component or a message element is removed from the usage guidelines it means that it does not fall into the scope of the market practice. This does not mean it will be rejected if sent out. Unlike a financial institution which removes an element, it then means that if received, the instruction will be rejected. It is important to make the difference between remove and ignored. Ignore means the element is accepted but not taken into account. The ignored function is not a concept which is applicable to the SMPG UGs.

There is a disclaimer in every SMPG MP, limiting the responsibility for adopting or not the market practice.

Updating and maintaining a local market practices on MyStandards is a continuous job which put a lot of strain on resources. Some enhancements of MyStandards are foreseen in order to limit the manual work around maintenance of the UGs.

My Standards provides functionality to easily assess the changes between the standards versions.

PTRA (Post Trade Risk Alerting tool)

SWIFT is currently working on a potential commercialisation of a new tool PTRA (Post Trade Risk Alerting tool) leveraging MyStandards collections and guidelines for validating global and local market rules/recommendations with the following scope:

- Market Practice validation and detection of messaging for non-conforming to market practice
- Reference Data validation to detect anomalies in settlement instruction format to Alert database rules and content

This project is still going through the gating process and has not yet been approved by the Board.

The SMPG expressed the following concerns:

- How global and local market practices will remain current on MyStandards and ensure alignment as expected between global and local guidelines. This will need to be monitored systematically for anomalies and not manually as current practice by SWIFT standards representatives to the SMPG.
- Limitations and risks of validation of market practice need to consider previous STACKs tool by SWIFT

Action points:

- SWIFT to confirm what is being discussed at the SWIFT Forums globally currently underway (Charles Boniver)
- Status on the project must be provided by the project manager (Jonathan Ehrenfeld)

9. **T2S status update (David Weidner)** – [Global Meeting Documents](#) – path Settlement And Reconciliation
WG/Global Meeting Documents/2017 Dublin

David Weidner provided an update of the current T2S status and the future plans.

Wave 4 of migration was concluded successfully in February this year - included Clearstream. This doubled the settlement volumes as a result. 18 CSDs are now connected to the T2S platform. The final wave will occur in September 2017.

For Euroclear Finland and NCDPCP (Slovakia) - dates are still to be defined.

After migration phase is completed, T2S plans to have a major system release every June and an additional smaller release ISO related changes every November. Current state of discussion is that additional CSDs would be able to join the platform join as part of the June release.

The ECB is currently working on a change request T2S CR 612 that will cover all the changes that impact the T2S messages since ISO SR2012 to SR2016 and likely also to ISO2017. This upgrade will not be applicable prior June 2019. The current planning foresees the upgrade to SR2019 in November 2019. Therefore realistically T2S will not comply with yearly release process prior November 2019.

The 4CB will start with the registration of its pillar 3 messages only after the final wave of migration. It is envisaged to register the messages in different sets.

Three Baltic CSDs (NASDAQ CSDs) accessing T2S in the final wave are still investigating on their preferred T2S set-up and whether they will use one or several system entities in T2S. NASDAQ CSDs will communicate their T2S adaptation model in due time.

The transformation process and market claims are not harmonised among the markets. T2S is working on CA harmonisation and has created a market practice, but it does not impose any legal penalties for not being compliant. SWIFT will follow up how this market practice complies with what exists today in the CA MWG **(Action Point: Karine Taquet)**.

Currently there are on-going initiatives: consolidation of T2 and T2S platforms, support for instant payments (TIPS), consolidation of national collateral management systems.

CSD regulation

T2S will provide a new service for calculation of settlement delay penalties. Draft paper is already distributed.

ESMA RTS, that provide detailed requirements for the process, are still going through the approval process. There is a 2-year period foreseen for preparation. Current release planning is based on assumption that it will come in force in June 2019.

CRs for buy-in transaction code and matching date field have been already submitted for SR 2017, but not the ones related to penalties reporting.

To meet the penalties regulatory requirements 3 new ISO 20022 messages will be created:

- Cash penalties (similar to semt.018 proprietary T2S message to be registered later). This message will be created by the 4CBs
- Settlement failures report to regulatory authority (auth message created by ESMA)
- Internal settlement fails to regulatory authority (auth message created by ESMA)

The penalties requirement may also impact the ISO 15022 messages MT537 and potentially MT548. SWIFT will be submitting a change request for SR2018 to cover these reporting requirements from the participants to their underlying clients. Note that it is not foreseen to make such changes in the ISO 20022 equivalent messages semt.018 and sese.024 as the functionality will be covered by the new semt message created by the 4CBs.

Post meeting comment: ECB will confirm whether the message will be registered as an ISO message and therefore whether a business justification will be submitted

ESMA is aiming to submit the business justification for the 2 penalties regulatory messages (business area auth) in Q3 2017. Consultation will be done by securities SEG group.

T2S – 2nd layer matching in T2S

T2S market practice states that if BIC is not available at party 2 level, LEI should be used. The issue is that as identification is mandatory, LEI cannot be present on its own (instead of proprietary id). T2S is therefore foreseeing to introduce an ISO 20022 change request that would move, for party level 2 ONLY, the LEI message element to the identification level.

This change to ISO 20022 messages will of course have to be aligned to ISO 15022 messages.

SMPG confirmed their previous view that the long-term proposal to move LEI in the Identification block of Party2 in sese.023 cannot be supported. SMPG is strongly against such a change.

- a. Only making this change at the party level 2 is not consistent and against the Standards and ISO20022 principles, the change would have to be done on all party levels
- b. The change would have considerable impact on MT ISO15022 messages and would therefore affect the whole international community
- c. From a business perspective the solution was also not supported. Some markets raised the need to provide LEI plus another identifier, therefore the proposed solution would not be suitable

SMPG is not in favour of such a change as:

- Only making this change at the party level 2 is not consistent and against the Standards and ISO20022 principles
- Impact on settlement back office systems will be considerable

When the LEI was implemented for SR 2015, it was clearly stated at the MWG that, at the party level, they did not want the repetition of the identification and that BIC or proprietary ID would prevail for settlement purposes and therefore that LEI would be optional and included only for reporting purposes. This this was confirmed by the SEG for ISO 20022 messages.

In the absence of an additional ISO CR to move the LEI to the Identification block, T2S actors would have to apply the following instruction logic:

- LEI information would have to be provided in the proprietary identification block and in the dedicated LEI field in case T2S actors want to use the LEI as main identifier for the Client of CSD Participant.

This logic would only apply once T2S has upgraded its messages to standards release 2017 in June 2019 (T2S Release 3.0) and the T2S community would decide to raise a CR to include the LEI in the schemas, i.e. not to prune the new field.

So far a T2S CR for the use of the new LEI field was not raised. It will be in the responsibility of the T2S Cross-Border Market Practices Sub-Group (XMAP) to decide whether such a T2S CR is required.

Related issue to party 2 level matching

It stemmed from the discussion that the T2S matching at party 2 level was difficult to handle business wise and the group expressed the idea that maybe T2S should allow for more flexibility and apply the following:

- Match LEI with LEI
- Match BIC with BIC
- Match proprietary id with proprietary id
- Skip the matching process if the 2 parties provide different format (e.g. LEI vs BIC)

While T2S market practice is compliant with the global market practice, the SMPG recommends the regional community to discuss with T2S bilaterally.

Even though local market practice rules should be complied with and that the client is being educated, this is still creating issues.

The group recommended that in T2S requirements and best practice, it was clearly stated that party info and format should always be bilaterally agreed between the parties for cross-border trades.

A workaround has been discussed and is even already being used by some CSD's, e.g. use of Proprietary Identification block in party 2 for provision of the securities account and its consideration in the matching process of T2S.

This issue has been raised to the ECB but no feedback has been received yet. Action point: ECB (David Weidner) will investigate in which working group this issue is being discussed and what the status is.

Post meeting update:

A discussion on potential improvements of 2nd layer matching is expected to take place in the T2S Cross-Border Market Practices Sub-Group (XMAP) in the second half of 2017. XMAP members are invited to request skipping the matching process if the 2 parties provide different formats (e.g. LEI vs BIC) as part of this discussion.

SMPG conclusions:

- 1- SMPG is not in favour of the T2S change request on party 2 level structure because of the considerable impact on the back office applications and it is not consistent from ISO 20022 modelling rules.
- 2- Any change request impacting the logic of the party 2 field should be part of broader scope that takes into account all the current matching issues the participants face at the party 2 level in order to provide clear recommendations.
- 3- T2S best practice should clearly recommend that party info and format should always comply with local market practices and be bilaterally agreed between the parties.

Partial release in T2S

The ECB is currently working on a change request to develop the partial release functionality ([T2S CR 653](#)) for participants that operate omnibus accounts in order to minimise the risk of settling short i.e. settling the transaction with another client's securities.

Partial Hold/release will improve settlement efficiency of the process, comply with CSDR penalties regime and reduce the operational workload for the participants who currently operate the partial release manually.

The ECB undertook a consultation with the direct participants and the support among the industry players.

Applying such a new functionality will trigger a big impact on the back office application and therefore from a client perspective the drive for such a change will be the volume and the implementation cost versus the benefit from a penalties perspective.

The counterparty impact would be limited. The instructions would have to be set up for partial settlement. New codes should be created for reporting messages (status).

Today such a process is covered by splitting (the transaction which requires a cancel and replace and of course a bilateral agreement between the parties) and shaping (split of the transaction from the beginning).

SMPG was asked, whether the partial release was used in their markets. If so, what are the details.

- Netherlands – split is currently used. The drawback is that two counterparties have to agree. In case of market claims it is also get complex. NL is in favour of the change request as it would avoid splitting the transaction and therefore going through the whole cancel and replace process.
- Denmark is against as the impact is quite substantial and the functionality has no value for end-investor markets (no omnibus account structure).
- Japan – no partial release offered today nor requested.
- Germany – most of the clients do not want to have partial settlement.
- Switzerland – hold/release in place for 20 years, but there was never a request for partial release.

Action Point: ECB will provide an update on T2S discussions.

Action Point: Robin Leary to provide more information on how the partial release works on the UK&IE market

Post meeting feedback:

- "Pre-advice" / instruction in a frozen state can be instructed by either including the message function PREA or setting the priority to 9999 (on a MT54x, it would be priority 0 in Crest)
- Partial release of such instruction requires to split the trade, putting a portion into frozen and a normal priority on the part that should settle first (there would be no "partialling" as such, it would either be a manual split or automatic split)
- Smaller amount settles, the remainder waiting for release / settlement and may incur fines if not done on time
- EUJ currently has a diary event on ISD that automatically unfreezes transactions in order to try and maintain settlement efficiency though, however this needs to be removed as part of CSDR
- Gilts do not auto partial as it needs both client and counterparty to bilaterally agree to split

Action Point: would the UK&IE market be in favour of such a CR then? (Robin Leary)

Settlement parameters (already matched case)

Currently in the sese.023 there is just one settlement parameters block. It is not possible to specify separate parameters (like Hold and Release indicator) for both the instructing party and the counterparty.

In case of already matched transactions where only one sese.023 message is sent, it is therefore not possible to provide separate processing information for the two sides of the transaction.

For earmarking, currently 2 earmarking instructions are needed to move the asset between two accounts and two balance types.

T2S has created a change request to allow either for the repetition of the settlement parameters message component or just the repetition of the sub balance within the existing block with [T2S CR 638](#) .

The SMPG was asked whether all settlement parameters message component should be duplicated, or just the sub-balance field.

Consensus among the group was to avoid the repetition of the whole block and limit the change request to the repetition of the sub balance type to minimise the impact. Should there be an additional need to repeat other message elements in the settlement parameters (e.g. priority or partial settlement indicators) this should be done through a separate change request with a clear business case.

SWIFT Standards highly recommends just the duplication of the specific message elements within the existing message component.

As of today, ECB raised a change request to ISO concerning sub balance field only. It will be up to the SEG, how to name these new fields.

The additional fields are in a separate change request to T2S and it has not been submitted to ISO yet.

The change request will have to be aligned to ISO 15022 messages to cover the entire flow.

Transfer of employee shares in T2S

For the transfer of employee shares in Germany, there is a need for a message element that indicates that the transfer is related to employee shares and another message element to indicate the date until the blocking is agreed. Both information are necessary in the retail business and are strongly required for free of payment deposit transfers. Currently, this information is not transmitted to T2S.

SWIFT suggested using the quantity breakdown as date field can be repeated.

Post meeting update: the lot quantity in the quantity breakdown will include the number of securities blocked. Lot date and time will include the date until when the securities must be blocked

Now to identify these positions are being blocked because they are employee shares, this could be located in the Settlement Parameters, Securities Sub Balance Type indicator with an issuer and proprietary identification code for this specific blocked position. This indicator should not be different for each repeatable quantity, to be confirmed by Clearstream (**Action point: Armin Borries**). If this is confirmed, then there is no need to include it at the Quantity Breakdown level.

The usage of the Securities Sub balance type could be an issue as T2S is using this specific field for the restriction process. When receiving transfer of employee shares information T2S must be able to make the distinction between the 2 processes and handle them differently.

Safekeeping account at party 2 level not supported by T2S in Allegement Notification

The safekeeping account field at party 2 level is not supported by T2S in the Allegement Notification. The current workaround is the inclusion of the account in the narrative field in Additional Information/Party Contact Details at the Party 2 level.

T2S Cross-Border Market Practices Sub-Group XMAP should handle the topic.

The 4CB (T2S service provider) advised that if there is a real need for account in the allegement, a change request should be raised. T2S will consider the change, as the impact should not be very significant.

Action point: VP to follow up on the submission of a change request to the ECB

10. Financial Transaction Tax (Axelle Wurmser) – [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

- There are now 9 countries in the group,
- There are currently two countries: France and Italy with Transaction tax in place,
- There is new intra-day transaction tax concept under consideration,
- The harmonized tax across Europe is not any close now.

11. Balance report complete vs delta T2S market practice - JASDEC feedback - [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

ISO20022 message formats used by JASDEC were presented, as well differences with T2S delta reporting.

JASDEC supports a multi-layered account structure, with direct and indirect Account Management Institutions (AMIs). Indirect AMI hold accounts with direct AMI.

Direct AMIs retrieve the balance reports on T+1 after night-time operation phase.

Full balance reports are produced regardless of the operations or movements.

Balance reports semt.002.001.07 are generated before and after night time operation.

JASDEC sends both complete and delta reports.

Differences to T2S delta reports:

- No pending transactions are included in the report.

- JASDEC message does not contain data related to various balance types (Available, not-available, AWAS) -only aggregated sub balance is reported (book-entry/frozen/redemption).

To prevent excess recording, JASDEC balances have to be checked daily with the participants.

One of the minor difference with the T2S market practice is that in case there is no settlement operation, T2S sends an 'empty' report, while JASDEC does not.

There is a possibility to convert T2S market practice to a global market practice. **Action Point: ECB will prepare a new version, more generic, of the document before Luxembourg meeting.**

12. Regulations (Paul Janssens) – [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

CSDR Penalty mechanism

Penalty mechanism as described in ESMA technical standards for CSDR implies new data fields have to be exchanged between MIs and their participants and the MIs and the Regulatory Authority (RA).

The reporting from the MI to the RA will be covered in ISO 20022 by 2 auth's (authority ISO business area) messages created by ESMA. The reporting from the MI to its participant will be covered by a new smt (securities management) message created by the 4CBs.

As the communication between the MI and its participant could be in ISO 15022 a change request is needed to include the penalties reporting requirements in the MT537 (Securities Settlement Pending Transaction Report) and potentially the MT548 (Securities Settlement Transaction Status Advice)

From SWIFT standards perspective, if the technical standards are approved before June, the CR should be submitted by June 2017 to be ready for implantation by June 2019.

A draft change request has been created by SWIFT to make sure the message(s) comply with the regulation should the technical standards be approved before June and therefore be implemented by June 2019.

The ISO 15022 change request include a whole additional sequence with the following message elements

- Penalty sub-function
- Days since Intended Settlement Date
- Penalty rate
- Reference Price (at end of trading date of today for instrument that failed)
- Trading Venue (as used for the reference price) Reference Market Price
- Penalty Amount applied on today's date
- Aggregate Amount Penalty or Penalty Redistribution

In ISO 15022 the changes should be applied to the MT537 and potentially the MT 548 but there the impact would probably be too big as the penalties reporting and the settlement process should be distinct. Maybe the MT536 should also be added the business case is weak.

The changes will not be implemented in the corresponding ISO 20022 messages as a new smt message will be created for this specific purpose by the 4CBs

Action point: Armin Borries to enquire on ECSDA position (meeting in May)

ECSDA feedback:

The calculation of the penalties will be done on a daily basis but the charging will be done monthly. The reporting will be generated on a daily basis with the assumption that it shows all transaction details. Some additional fields/codes or definition changes will most be probably required in the ISO 15022 message(s). For ISO 20022 a new semt message will be created for that specific purpose.

CSDR Buy-in

SWIFT works with AFME/ICMA/EBF on a solution.

A detailed scenario has been presented.

A draft change request will be submitted by SWIFT to include in the MT502 the Buy-In settlement transaction indicator. Alignment will be done also for MT509, MT515, MT518, MT513 and MT514.

Discussion Paper market practice for MIFIR (Denis Andrejew) – [Global Meeting Documents](#) – path Settlement
And Reconciliation WG/Global Meeting Documents/2017 Dublin

German community prepared the draft market practice addressing some issues related to MIFIR reporting.

MIFIR regulation requires reporting for the transactions with the change of ownership.

The document specifies how to identify the trades that have to be reported.

The document describes usage of LEI identifiers, which allows acquiring the counterparty id.

The German community have not finalised their discussions. Some new fields have been identified. More information will be available in May. **Action Point: Denis Andrejew to provide a status**

The document could become a regional market practice for Europe.

For the reporting purposes the counterparty is defined as a CSD customer LEI.

SWIFT raised the point that documenting only usage of LEI is just a half way solution – there are some other elements that should be covered as well.

The document includes a proposed change in Usage rules in UHB about BENE. SWIFT is not in favour of such a change.

Action point: members of the SMPG should be reviewing the document and send their comments. Feedback is required for the market practice to become global.

Unbundling of charges

Through the Markets in Financial Instruments Directive (MiFID II), regulators are seeking greater transparency across the trading process, part of which may entail separating the costs of trading activity from research spend, in order to gain insights on the actual cost of the research.

SWIFT is writing a change request to include a new amount code for Research Fees in the MT515 (Client Confirmation of Purchase or Sale) and the MT518 (Market-Side Securities Trade Confirmation).

As the implementation of MiFID II is currently scheduled for January 2018 a workaround will be proposed. Inclusion of the research amount in Narrative field :70E::TPRO//RFEE at the Confirmation Details Sequence level.

The SMPG is sceptical on the business case for such a change request.

Post meeting update: additional workshops with the broker dealers/investment managers/asset managers community will be organised to understand/strengthen the business case.

Action point: Alexandre Hotat will provide a status

ESMA regulatory reporting flows - [Global Meeting Documents](#) – path Settlement And Reconciliation
WG/Global Meeting Documents/2017 Dublin

- MMSR& SMMD - there are new ISO messages prepared.
- MIFID II/ MIFIR – draft messages are public. Some of ARMs will provide translation to ISO20022.
- EMIR – draft ISO messages are published. The messages are used by TR to be sent to CAs. Reporting institutions are not affected.
- SFTR - the same logic as EMIR (reporting via TR). There is a strong recommendation of using ISO20022 by reporting firms.
- CSDR – development of some messages is being considered (very early stage, not even business justification).

ESMA uses a new file header: head.003.001.01– it is a new version of BAH. Technical support group is reviewing it, because it is a technical message.

It is not clear, why head.002.001.01 is not being used, and what the difference between the two is. **Action Point: Paul Janssens to provide clarifications.**

ISO20022 community consultation update (Alexandre Hotat) - [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

Over 50 banks and market practice organisations, including 30 of the largest customers, have been consulted on their ISO20022 experience, expectations and plans.

The key benefits identified are: global interoperability, richer and more structured data, high STP rates.

The room for improvement has been found in areas such as: version management, synchronisation of maintenance between MT and MX, stricter market practice development, broader vendor support.

The result of the similar study conducted in 2010 was that a rapid migration to ISO20022 was not likely. The situation has not changed a lot today.

Key conclusions:

- Way forward agreed in 2010 is still valid,
- Coexistence and interoperability is manageable,
- Global migrations should only be considered when there is a business case.

13. Harmonisation forum (Alexandre Hotat) – [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

SWIFT has launched a new website dedicated to the harmonisation charter information.

Version and release management - the Standards release should be synchronised for between MT and MX - one release per year.

In many areas, the draft messages are being used by MIs.

For the MIs the latest message versions should be used, even if T2S is using a different one. To use different versions of the ISO message should not be a big case for financial institutions, the most important issue is to ensure that the messages are fully ISO compliant and not ISO 'like' messages.

14. DLT based solution update (Axelle Wurmser) - [Global Meeting Documents](#) – path Settlement And Reconciliation WG/Global Meeting Documents/2017 Dublin

Minibond is an instrument similar to the bonds, with the interest only paid at the reimbursement date.

DLT will register of all the minibonds issues. It will be used to keep track of all transactions. The process for the investors will be standardised. This was adopted for small unlisted companies.

Volumes are very low compared to the listed companies.

The changes in the law made the project possible.

Other DLT solutions were mentioned:

Euroclear is working on a solution for London gold market, the very close relation to the regulator is important here.

At the ISITC the DLT discussions are on hold, as participants are looking at this as a competitive space rather than co-operative one.

There is a new advisory group under ISO umbrella looking at new technologies.

15. Packaged Retail and Insurance-based Investment Products (PRIIPS) question

The Austrian NMPG raised the following question to be submitted to the SMPG. According to one of the PRIIPs requirement, actual transaction cost has to be identified. Therefore, there is a need for an ‘arrival price’ and the date and time of when the order was transported.

The S&R group is not familiar with the topic. The Funds group will be consulted. **Action point: Karine Taquet**

16. SWIFT ISO 20022 S&R generic solution (Karine Taquet)

SWIFT is preparing a business justification for creating an ISO 20022 S&R generic solution on its network instead of having a CUG to exchange the messages. It would be similar to the existing solutions such as Corporate Actions or Investment Funds. An update will be provided at the SMPG in Luxembourg (**Action point: Karine Taquet**).

17. Financial Action Task Force (FATF) Payment Transparency Recommendation (Charles Boniver)

According to the recommendation, originator and final beneficial owner of the payments must be identified.

All of securities trades are related to cash payment as well, so custodians are affected here.

In MT103 it possible to show originator and the final beneficiary owner, but it is not supposed to be used for interbank payments.

The information is missing in MT202. There could be a need for a solution. Originator institution is the biggest issue.

The awareness of the impact of the FATF recommendation is limited in the securities community, and that needs to be changed.

Global Payment Innovation Initiative (GPII) – from the technical point of view GPII could help to track the payments. However, it is not mandatory, and it is an early stage of the adoption.

If there are questions or suggestions related to the topic, you should contact SWIFT.

18. Topics for the next meeting

The next SMPG meeting will take place in Luxembourg in Clearstream premises from the 4th till the 6th of October 2017

The suggested topics are:

- T2S update from the final migration wave (David);
- Regulations session that should also include US and Asian changes that could affect other parts of the world. If CA and IF working groups are interested could be a common session. Regulations with biggest impact should be targeted to keep the scope of the session reasonable;
- Regulations impact on existing messages;
- EMEA update. This should also include developments in Africa;
- Brexit update;
- Standard release update;
- General Data protection regulation;
- Market practices update;
- ISDA update;
- SR 2018 market practices update

Other topic ideas should be delivered to Alexandre Hotat.