

**Meeting Venue:**

KDPW premises  
4 Książęca Street  
6<sup>th</sup> floor  
PL – 00-498 Warsaw  
Poland  
**Dress Code:** Business  
casual

**Hosted and sponsored by:**



### I. Meeting Global Agenda

Wednesday 18 <sup>th</sup> of April	
9:00 – 9:30	Arrival & Check-in and Welcome Coffee
9:30	<b>Plenary Session Opening</b>
9:30 – 11:00	<ol style="list-style-type: none"> <li>1. <b>SMPG Welcome Address</b> (Karla Mc Kenna, SMPG Chair, ISITC) – 5'</li> <li>2. <b>Welcome Address by Host</b> – KDPW, speaker tbc - 5'</li> <li>3. <b>Global Meeting Schedule</b> (SMPG General Secretary, SMPG Program Director) – 5'</li> <li>4. <b>Global recipe with a local flavour – financial system in Poland and its infrastructure</b> (dr Dobiesław Tymoczko, National Bank of Poland) – 30'</li> <li>5. <b>International standards – the foundation of the KDPW post-trade services portfolio</b> (Michael Lukac, KDPW) – 30'</li> </ol>
11:00 – 11:30	Coffee Break
11:30 – 13:00	<ol style="list-style-type: none"> <li>6. <b>EMEA Regional Updates</b> – (EMEA Regional Directors) - 15'</li> <li>7. <b>Americas Regional Updates</b> (Americas Regional Directors) – 15'</li> <li>8. <b>APAC Regional Updates</b> (APAC Regional Directors) – 15'</li> <li>9. <b>ISO 20022 Migration Study Industry Consultation Status</b> (Charles Boniver, SWIFT) – 20'</li> <li>10. <b>SMPG Steering Committee Members Elections</b> – 25'</li> </ol>
13:00	<b>End of Plenary Session</b>
13:00 – 14:00	Lunch

# Securities Market Practice Group

## Warsaw Meeting 18 to 20 April 2018 - Invitation and Agenda



Afternoon Session			
14:00 – 15:30	Corporate Action WG	Investment Funds WG	Settlement and Reconciliation WG
15:30 – 16:00	Coffee Break		
16:00 – 17:30	Corporate Action WG	Investment Funds WG	Settlement and Reconciliation WG
Evening			
<b>Free evening - See: V. Tourist Information</b>			

Thursday 19 <sup>th</sup> of April			
8:30 – 9:00	Arrival & Check-in at DKPW 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 – 17:30	Corporate Action WG	Investment Funds WG	Settlement and Reconciliation WG
Evening Event			
18:00 – 23:00	<b>SMPG Evening event.</b>		

Friday 20 <sup>th</sup> of April			
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
	Optional Light Lunch		
End of meeting			

**II. S&R Agenda**

**Wednesday 18<sup>th</sup> of April – *State of the Union***

**Afternoon Session**

<p><b>14:00 – 15:30</b></p>	<ul style="list-style-type: none"> <li>- <b>Welcome + Tour de Table</b></li> <li>- <b>Elections of co-chair</b></li> <li>- <b>Pooling for Sydney meeting in October</b></li> <li>- <b>Action points from previous meeting :</b> <ul style="list-style-type: none"> <li>o To check if LEIC is part of issuer list with RA.</li> <li>o To check with RA what 4 letters code could be used for T2S (T2SX or XT2S, ...)</li> <li>o Bi-lateral Repo market practice consolidation (Karine)</li> <li>o KELR local code usage update (Jason/Robin)</li> <li>o Internal cross trades (OWNI/OWNE and Place of Trade matrix).</li> <li>o Third party custodian cash and security collateral segregation of initial and variation (Karine)</li> <li>o Non Deliverable Forwards (NDFs)</li> </ul> </li> </ul>
<p><b>15:30 – 16:00</b></p>	<p><b>Coffee Break</b></p>
<p><b>16:00 – 17:30</b></p>	<ul style="list-style-type: none"> <li>- <b>Regions update</b> <ul style="list-style-type: none"> <li>o ISITC update (Jason)</li> <li>o Updated SMPG bi-lateral repo MP (Jason)</li> <li>o SR2019 impacts to SMPG Third Party FX MP (Jason)</li> </ul> </li> </ul>

**Thursday 19<sup>th</sup> of April – Regulations – T2S**

**Morning Session**

<b>09:00 – 10:45</b>	<ul style="list-style-type: none"> <li>- <b>T2S delta reporting MP - Status</b></li> <li>- <b>CSDR penalty mechanism:</b> <ul style="list-style-type: none"> <li>o Output of the Industry Expert Group (Paul/Alex)</li> </ul> </li> </ul>
<b>10:45 – 11:00</b>	<b>Coffee Break</b>
<b>11:00 – 12:30</b>	<ul style="list-style-type: none"> <li>- <b>CSDR penalty mechanism:</b> <ul style="list-style-type: none"> <li>o Preparation / review of the CR for SR2019 (MT)</li> <li>o MP around MT / ISO2002 message</li> </ul> </li> </ul>
<b>12:30 – 13:30</b>	<b>Lunch</b>

**Afternoon Session**

<b>13:30 – 15:30</b>	<ul style="list-style-type: none"> <li>- <b>Discussion on the scope of S&amp;R SMPG (Axelle / Marcin)</b></li> </ul> <p>There is number of topics, which are not 'purely' in the settlement scope, be it for instance Collateral Management, or Regulations, which are discussed during S&amp;R SMPG meetings.</p> <p>The goal of the discussion is to agree and 'officialize' which subjects and business areas should be covered by the group.</p>
<b>15:30 – 15:45</b>	<b>Coffee Break</b>
<b>15:45 – 17:30</b>	<ul style="list-style-type: none"> <li>- <b>The future of the SMPG in a 2022 environment only (Axelle / Marcin / Armin)</b> <ul style="list-style-type: none"> <li>o Which role does this SMPG group keep? Taking into account the fact that MI (Market Infrastructure) are most often the creators of NEW ISO20022 messages, and as such the MI take the role of writing the Market Practices</li> <li>o Shall the make a revision of the Reshuffling ? Say the parts /SCOPR / Business Actors / Business flows can be kept identical, is there any added value for re-examining which ISO20022 messages should be taken 'officially' in which flow ?</li> <li>o Shall the SMPG check that all messages existing in two ISO20022 categories ie SEMT and SESE have 'their' Market Practice ?</li> <li>o Shall the SMPG extend this work to other categories, including: REDA, ADMI.</li> <li>o Shall the SMPG decide to document the VARIANT ie a Market Practice describing the use of an ISO20022 message for replacing exactly the 'old' MT.</li> </ul> </li> </ul>

**Friday 20<sup>th</sup> of April – Any other business**

**Morning session**

<b>09:00 – 10:45</b>	<ul style="list-style-type: none"><li>- Practical work on ensuring market practices are up to date based on yearly standards release - MP ownership and accuracy (Armin)</li><li>- Practical work on market practice documents (esp. regulation related) (Armin)</li><li>- New services created in the recent years, for which there are no MPs. The examples are: mirror (shadow) booking, collateral services by Clearstream and Euroclear. (Armin)</li></ul>
<b>10:45 – 11:00</b>	<b>Coffee Break</b>
<b>11:00 – 12:30</b>	<ul style="list-style-type: none"><li>- AOB</li><li>- Call for subject for the next SMPG in Sydney.</li></ul>

**End of meeting**

## Wednesday 18<sup>th</sup> of April – *State of the Union*

### Afternoon Session

#### - Co-chair elections

Congratulations to Marcin Zawistowski who was re-elected as S&R SMPG co-chair of for the next, 2 year term.

#### - Sydney meeting poll

9 out of 16 participants present in the meeting indicated plans to attend SMPG Sydney meeting. The need to improve participation requires a comprehensive set of key, agenda topics; the agenda needs to be published earlier than normal. Improvement of SMPG visibility and recognition will also be addressed.

The discussion on agenda items was continued on Friday. The summary of the draft agenda has been presented in the last section of the document.

#### - Action points from previous meeting :

- o LEI identifier usage

The group discussed the existing usage of LEI (Legal Entity Identifier) code and the impact on S&R processes.

The DSS code "LEIC" is already registered in the payments area.

CPMI/IOSCO works on the creation of an ultimate creditor/debtor ID with the use of LEI. The PMPG is involved in the preparation of a Market Practice. The PMPG follows the same trend as in securities; LEI would potentially be an additional ID, not the only one.

There is a discussion about LEI ID's not covering individuals. Potentially a similar ID will be created, but the progress so far is slow, as it is not understood in the same way by market players.

Today, in S&R the LEI code is rarely used. There is an example in Malaysian market of Euroclear requiring the LEI for settlement.

While LEI is commonly used in regulatory reporting, other IDs are used in the S&R processes.

The value of LEI would increase, if it was consistently used across the departments within a single institution. Currently, it is common to use multiple ID's in identifying the same entity.

SMPG's recommendation using LEI in S&R messages could be considered.

AMI-SeCo has discussed a CR related to LEI matching, but it was rejected. (Denis will share the document.)

In any case, the adoption of LEI will be driven by regulations.

- o T2S issuer scheme name

Currently, T2S uses a 3 character code, "T2S", as the issuer scheme name.

As the standard requires a 4 character code, the SMPG recommends changing this code into a new 4 character code, "T2SS". It needs to be registered in the name of SMPG by Alex.

It was noted that there is a need for a CR for T2S to adopt this change. From a T2S perspective, it may be difficult to approve that CR.

- Bilateral repo MP consolidation

ISITC has just finished the work on consolidated MP, where ISO20022 illustrations are not included. The MP will be 1<sup>st</sup> distributed to France for review. Then the ISO20022 examples could extend that version, to be discussed with SWIFT Standards (Karine).

- KELR local code usage

. Kwlwr BaNCS implementation that were scheduled for November 21, 2016 after being postponed several times have been postponed indefinitely. No new updates on implementation timeline known by SMPG at this time. No local NMPG contact for Hungary participates within SMPG.

. The default requirement in the BaNCS system (that will be T2S compliant), in line with the T2S standards will be the 11 digit long SWIFT BIC.

. The current market practices and requirements (since year 2010) are applicable in the market, DEAG/REAG should populate the account holder institution's 4 digit Keler code and not the BIC code.

- Triparty custodian cash and security collateral segregation of initial and variation (Karine)

One of the AMI-SeCo task forces – CMH (collateral management harmonisation) has been working on tri-party collateral and workflows harmonisation around T2S communications. The draft document has been prepared.

This new model will be based on CB money, as opposed to commercial bank money, that is usually used today. Tri-party collateral are offered by Clearstream, Euroclear. Now ECB will be another player here.

Armin offered to present tri-party management services as one of the agenda items for Sydney meeting.

## - **Regions update**

- ISITC update Jason
  - Repo

ISITC to finalize locally and hand off consolidated market practice to SWIFT to incorporate ISO20022 format recommendations and illustrations

J. Brasile to work with Axelle Wurmser (FR NMPG) to review document and ensure agreement with previously discussed/agreed changes to the recommendation working for renewals/rollovers.

- Market/CSD impact matrix document

Local MP changes create challenges for investment managers – purpose is to document various local market requirements.

It is sometimes a challenge to propagate information on local MP changes clearly and in a timely manner.

The issue is most often coming from the smaller markets. Responsibility about local markets should be with NMPGs.

- BIC8 and BIC11 codes in PSET list

The PSET list informs sometimes about BIC8 codes only and there is no information than XXX sequence is allowed as well at the end.

However, the XXX sequence is not part of BIC standard itself. It is SWIFTNet network feature.

- MIFIR – unbundling of charges

A new qualifier is needed for the net settlement fees – research fee (RSCH), that would allow for separate broker commission and research fee to be/not be included in net settlement amount.

It was noted, that in IF area, there is also an initiative to apply for new fee qualifiers.

ISITC to submit CR for SR2019 to add RSCH codeword. SMPG has endorsed this approach.

## Thursday 19<sup>th</sup> of April – *Regulations – T2S*

### Morning Session

#### - **CSDR penalty mechanism and Buy-in:**

- CSDR – trade confirmation MP

CSDR art 6(2) requires confirmations of allocations and confirmation of acceptance or rejection of the terms of the trade.

The requirement presented above is a part of 'level I' regulation, so it is not subject to change. There is some room for the interpretation, though.

To provide a common understanding and interpretation, ESMA has been preparing Trade Confirmation Market Practice with help of SWIFT and SMPG members.

Paula, Armin and Paul presented the background and the current state of the work on MP.

Draft version of MP has been prepared.

ESMA might not be aware at this moment that there are many exception scenarios, not currently covered in ESMA document.

Armin: Initial version of MP may contain an information that further exceptions and rejections scenarios will be covered in the future.

So far, no need for CR were identified in this area.

The expert group will continue the work and share the documents with SMPG.

ISITC prepared post-trade-matching MP that could help to technically prepare the ESMA MP document.

Japan – appreciate ESMA open attitude to industry consultation.

Discussion on re-activate of TIC group with SMPG – the standards are already there, so the experts do not see a need to participate. Re-activation of TIC group has been rejected.

There is currently no equivalent of MT502 msg in ISO20022 – Denis: in some scenarios it is used esp. in relation to CA scenarios. It would become esp. important, if there is a decision about ISO15022 decommissioning. Should such a decision be taken, the equivalent messages will be created.



- CSDR – settlement discipline
  - - Late settlement and matching penalty mechanism

The requirements are defined in the draft of ESMA RTS issued in 2016. The RTS is not yet approved (may be approved soon). As of today, June 2020 seems to be a realistic date for implementation of CSDR settlement discipline regime.

Late matching and settlement fail penalties requires additional data to be provided down the settlement chain.

CSDR industry experts group has been created to work on necessary standard CRs to accommodate the new requirements. A few meetings has already taken place.

T2S would calculate penalties and send the new ISO20022 msg to CSDs and DCPs. Penalty reporting will be generated by T2S in the morning the following day. Draft of the new ISO20022 msg can be found on ECB website - it was presented by Alex during the meeting.

MT548 and MT537 will be adopted to allow the population of the related data down the settlement chain.

MT548 is the mostly used msg in the SWIFT network. Receiving MT548 after settlement might be an issue for some institutions.

To minimize the impact, the idea is to create a new optional sequence in MT537 and MT548.

Alex presented the details of the proposed MT537 changes – including the new codewords and new Penalties section.

Onion-like message structure has been prepared with multiple detail levels provided. PENA code will be added to sub-function field and statement type in section A.

Network validation rules should be further discussed (esp. C1).

MT548 structure will be adopted accordingly to MT537.

- - Buy-in process

There are some proposals being prepared, but it is too early to discuss them during the meeting.

**Thursday 19<sup>th</sup> of April – Regulations – T2S**

**Afternoon Session**

**- Discussion on the scope of S&R SMPG (Axelle / Marcin)**

On many occasions S&R SMPG group has to deal with the subjects that are not strictly limited to settlement or reconciliation.

The group discussed the expected scope and drivers for the future S&R SMPG activities, including:

- added value S&R SMPG brings to the market,
- name of the group (should we change it?),
- policy on accepting the scope of topics for S&R SMPG group,
- possibility to create additional working groups in SMPG.

The most important value of S&R SMPG - that make it highly relevant and respected by the market - are Market Practice documents.

SMPG is also perceived by the global community as a valuable source of information on new initiatives and hot issues coming from different parts of the world.

MP documents should concentrate on the processes, actors, flows and data sets, not the particular syntax.

The name of the group: Settlement and Reconciliation, should stay unchanged, although a number of other proposals were presented (e.g. Settlement & Transaction Services), which may be considered in the future.

There are many open issues in settlement and reconciliation area to be covered by SMPG, and the new topics are coming constantly.

Advent of API paradigm, as well as new DLT based solutions, may have a significant impact on the existing message based models, that will need to be addressed.

While settlement processes should be definitely the core of S&R group discussions, the other related topics may also be considered, subject of available expertise and interest within the group. The additional areas may include, but are not limited to: regulatory reporting, securities related payments, collateral management (incl. tri-party collateral), borrowing and lending, FX, account mgmt, securities static data.

The idea of creation additional working groups within SMPG has been rejected.

**- The future of the SMPG in a 20022 environment only (Axelle / Marcin / Armin)**

ISO process is not governed the same way as ISO15022. The group discussed the most efficient ways SMPG could help ISO20022 Securities SEG in the ISO msg development and CR assessments.

New ISO20022 messages are often submitted by MIs. It is then their role to publish the relevant documentation and guideline.

For example UDFS document prepared by T2S is very detailed. Probably there is no need to create a separate document containing regional MP for T2S. On the other hand side, MIs produce communication standards between MI and their participants, but not further down the settlement chain. That's where SMPG could help.

SEG is looking into the CR from the business point of view. Business justifications do not contain messages, so there is a limited role for SMPG at this stage.

SMPG only meets every 6 months. The BJ comment time is 6 weeks. It will be difficult for SMPG to efficiently help SEG in the BJ assessments.

## Securities Market Practice Group Warsaw Meeting 18 to 20 April 2018 - Invitation and Agenda



Securities SEG is over 100 people with about 40 people for every conference call. S&R SMPG resources are relatively small.

SMPG members should participate, and many of them do it today, in relevant Evaluation Teams working under SEG governance. Jason holds a position of Settlement ET convenor.

At the next meeting S&R SMPG will discuss in the forum the requests for new messages/variants, including the outstanding business justification list, to see, if this should become a permanent agenda item. As Axelle is a convenor of Securities SEG and co-chair of S&R SMPG, she will be able to provide a link of information between the two groups.

Every SMPG MP should contain ISO20022 illustration. The group will check, if all existing sese and semt messages are covered in existing MPs, including variants that are officially published on ISO20022.org website.

Some messages from reda and admi families should also be examined.

At the beginning of ISO20022, a lot of new messages has been registered. Many of them are not used anymore, so probably there is no need for MP covering them.

Some statistics on msg usage would be helpful. However, SWIFT is not the only network and many of ISO20022 messages are sent in files, so such statistics from SWIFT would not be reliable.

## Friday 20<sup>th</sup> of April – Any other business

### Morning session

#### - **MIFID II - Article 63 (Robin)**

Statements should be sent at least on the quarterly basis, and on request as well.

In MT535 – there is no quarterly period indicator. In some institutions DAIL and MONTH should be sufficient.

Robin will submit CR in the name of national NMPG, to add a new code QUAR in the period indicators. As a workaround, SMPG DSS code could be used for QUAR indicator.

Art. 63 requires also to include some narrative information, including a disclaimer and 'security interest' information.

MT599 may be used for the additional data that is required. The other option would be to include some data in the existing narrative field.

The most natural way would be to add a new narrative text field at the end of the statement.

It not fully clear whether this requirement is applicable for professional clients and maybe the reference to the regulation would be sufficient.

We will wait with CR until July or the clarification from ESMA.

#### - **CORP transaction type**

CORP transaction type code exists in 20022, but not in ISO15022.

In the existing list of co-existence codes, 22F:SETR/COEX/CORP is not included.

The list should be updated to include CORP code.

#### - **Contractual settlement of stock**

There is no place to indicate the date of contractual settlement.

Stephan: effective settlement date could be used, even if it refers to a future date.

Denis: settlement confirmation shouldn't be used before actual settlement happened.

#### - **IF statement (semt.006) vs regular generic statement (semt.017) - session with IF sub-group**

There is a specific IF statement in ISO20222 (semt.006). IF industry would prefer to use a regular generic statement (semt.017) instead.

Janice, Charles and Svein from IF group presented the results of their gap analysis, looking for some guidelines to some of the identified differing fields.

The intention is to submit a CR to ISO2022 SEG to make semt.017 fully compatible with IF requirements.

The details of the proposed changes were presented by Janice.

There is about 27 items in total to be submitted to securities SEG. Even if most of the changes are relatively small (adding and optional field or codeword, change of the definitions), the total number is remarkable and may have a significant impact on the whole community using existing semt.017.

Additional remarks presented during the meeting:

Denis: there will be confusion if some fields are added to semt.017 and not MT536.

Armin: we should not change the definitions – they should remain clear. Some of the usage guideline could be explained on MP level.

- **Market Practice maintenance**

To keep the MP documents up-to-date and accurate, regular reviews and updates are needed. To make that process efficient, each of the MP will be assigned to an individual SMPG member, who will become an 'owner' or 'godparent', responsible for maintenance of the respective document.

At the next meeting in Sydney the group will initially review and assign the MP documents, based on the list prepared for the reshuffling process a few years back. Many of MPs are linked together, so potentially they could be maintained as a group (Alex will present the initial list).

After MWG in August, Alex will provide a summary of the CRs impact on messages. MP owners/godparents will then analyse and present the results at spring meeting, then at the fall meeting the changes in MPs will be accepted/approved.

Local MPs should be reviewed as well, at least on 2 years basis. This should be done by respective NMPGs.

Regulations are typically split into 3 regions (America, Europe, Asia). Regulatory based MPs could be created as separate documents, published in some designated sections of smpg.info website. Alternatively, market specific section in a global MP document may be used to provide additional, region specific requirements.

- **UTI – IOSCO: (Paul)**

- TC68/SC8 will be reviewing technical guidance documentation for approval – Paul to distribute
- Waterfall on UTI creation and format
  - New Maximum length of 52 characters will require us to revisit previous field format length decision within standard of Namespace/Issuer (10x) and Transaction Identifier (32x) for UTI and PUTI identifiers. September , 2015 maintenance discussions.
  - Will require an SR2019 change request to expand field length to new guidelines.
- Securities Financing, FX, and Derivatives
- Potential update/expansion of previous SWIFT MUG document beyond Cat 3 and 6 messages

- **General Data Protection Regulation (GDPR) - European Commission (Paul)**

- The General Data Protection Regulation (GDPR) will replace the current directive and will be directly applicable in all current EU member states without the need for implementing national legislation. GDPR contains some onerous obligations, many of which will take time to prepare for the regulations which take effect next May, 2018.
- Impacts are greater on the trading area on how the trader data is collected, stored and shared. Telephone communications that are required to be store for MiFID II purposes could have impacts to the GDPR rules.
- Any records of individuals at a client such as telephone numbers, email address, etc. Authorized signature lists; utility model of external master directory of contacts at firms; contacts for SSIs at client/broker; etc.
- No SnR messaging impacts identified to date, but will continue to monitor for impacts.

- **Topics proposed for Sydney meeting**

General Session:

- Regulation – Australian regulator invitation for update
- DLT experience – overview with a deep dive in the respective working groups for dedicated questions (ASX lab facility - TBC)
- Experience on ISO20022 implementation by AU market
- Stock Connect and Bond Connect (China or HK representative to present)
- Experience on the instant payment system in AU
- GPI update – securities industry impact
- API – what is it and how will this influence our work

S&R session :

- ASX distributed ledger initiative – deep dive session within SnR WG after a general session update;
- Regulatory initiatives deep dive – regional (APAC) and global mandates deep dive specific to SnR after general session update;
- Offshore CNY – Stock Connect and Bond Connect deep dive. Participants to prepare list of topics/questions to be distributed ahead of meeting to have discussed/responded by local market (China and HK) SMEs;
- ISO20022 SEG – Discuss in the forum the requests for new messages/variants, including the outstanding business justification list, to see, if this should become a permanent agenda item;
- SMPG MP maintenance and ownership – select permanent MP owners ('godparents') responsible for updating MPs documents, including ISO20022 illustration;
- JASDEC ISO20022 update - removing legacy system and market participant reaction;
- JASDEC DLT initiatives - JPX project for cross-border trades;
- JASDEC/Bank of Japan - Post-trade matching system, with the use of ISO standards;
- APAC regional update – after regional APAC meeting (Cindy Foo);
- CSDR – penalty mechanism and buy-in process – preparation of MP based on approved CR with MT and ISO20022 illustration.