

## SMPG

### Settlement and Reconciliation WG

#### Frankfurt Meeting – April 2019

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### Migration to ISO20022 – is it chaotic ?

(What can the SMPG and its WG do for helping ?)

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#### ISO20022 SURVEY – Reminder

Results of the survey were :

- Payments Industry massively agreed for a move to ISO20022 (more than 85% of the respondents)

	Yes		No	
Does the combination of drivers justify a migration of cross-border payments to ISO 20022?	<b>All responses</b>			
	<b>Financial institution responses</b>	97%	87%	13%
	(top 50 SWIFT users)		3%	
	<b>Country responses</b>	100%	-	
	(top 20 NMG)			

- Securities Industry made a 'split' answer : 50% said they would go for a move to ISO20022, and the other halfth was not wanting to move,

	Yes		No	
Do the drivers described in the securities section justify migration to ISO 20022?	<b>All responses</b>			
	<b>Financial institution responses</b>	51%	60%	40%
	(top 50 SWIFT users)		49%	
	<b>Country responses</b>	50%	50%	
	(top 20 NMG)			

- TRADES and TREASURY Industry said massively they did not want to go for a move to ISO20022

	Yes		No	
We believe that there is currently no appetite to envisage a migration of Category 7 messages to ISO 20022 standards in a similar timeframe to the one being	<b>All responses</b>			
	<b>Financial institution responses</b>	80%	84%	16%
			20%	

proposed in other business domains. Do you agree?	(top 50 SWIFT users) <b>Country responses</b> (top 20 NMG)	84%	16%
		YES	NO
We believe there is no industry driver requiring the Category 3 and 6 messages to move to ISO 20022 standards in a similar timeframe to the one being proposed in other business domains. Do you agree?	<b>All responses</b>	83%	17%
	<b>Financial institution responses</b> (top 50 SWIFT users)	80%	20%
	<b>Country responses</b> (top 20 NMG)	78%	22%

Survey was made during the second half of 2018.

## **What happened since then ? Facts and figures**

### **Payment Industry**

The news is that **no more MT messages in the cross border scope will be exchanged end of 2025.**

Basically the Market Infrastructures are moving (at least in Europe), and work has started for defining the new MX messages.

There is obviously a side effect for the Securities payers (some of them use systems available at the level of their mother entity – thus reducing the question to an adaptation of the existing internal communication layers, others have their own systems).

It has been decided to have a Securities Industry rep. present in the **CBPR+**.

The **Cross-Border Payments and Reporting+**, was composed in December 2018

- 18 PMPG Community Primary Representative,
- Optional PMPG alternates,
- SWIFT (Liaison HVPS and CBPR+)

Decision taken during Q1 2019 : the Securities SEG will be an observer in the CBPR+

The CXBPR+ has described its 'Base ISO20022 Development and Maintenance Process' with a detailed timeline from January until end of S1 in 2019.

Messages concerned are :

PACS 008,009,004, and camt056.

This group shall also be delivering MP Usage Guidelines 1,2 and 9, and shall create translation rules FIN/ISO20022/FIN.

### **Securities Industry**

## Ongoing business

ET = Evaluation Team

a. SFTR ET status = evaluation has started

AUTH.052.001.01 SecuritiesFinancingReportingTransactionReportV0.1  
 AUTH.070.001.01 SecuritiesFinancingReportingTransactionMarginDataReportV01  
 AUTH.071.001.01 SecuritiesFinancingReportingTransactionReusedCollateralDataReportV01  
 AUTH.078.001.01 SecuritiesFinancingReportingPairingRequestV01  
 AUTH.079.001.01 SecuritiesFinancingReportingTransactionStateReportV01  
 AUTH.080.001.01 SecuritiesFinancingReportingReconciliationStatusAdviceV01  
 AUTH.083.001/01 SecuritiesFinancingReportingMissingCollateralRequestV01  
 AUTH.084.001.01 SecuritiesFinancingReportingTransactionStatusAdviceV01  
 AUTH.085.001.01 SecuritiesFinancingReportingDataTransactionStateReportV01  
 AUTH.086.001.01 SecuritiesFinancingReportingReusedCollateralDataTransactionStateReportV01  
 AUTH.094.001.01 SecuritiesFinancingReportingTransactionQueryV01

(12 messages)(NEW)

b. T2S ET status = evaluation of **3 new sets of messages** (Account Reference Data, Collateral and intra-balance) to be started in April

c. CCP ET status = final version to be provided by BoE following evaluation team recommendations

d. Funds ET status = evaluation of the MMSR messages to be started in May

e. PROXY Voting ET led by *tbd*, status = evaluation of SRD2 impacted messages to be started in 2019

Business Justification or Maintenance Change Request	Submitting organisation	Status	Nbr of msgs	Submission to RA
CCP Supervisory Reporting	BoE	With SEG	16	17-May
Securities Financing Transactions Regulatory Reporting (SFTR)	ESMA	With SEG	11	19-Feb
Financial instruments and transactions regulatory reporting/EMIR	ESMA	dev ongoing	6	16-Apr
CHES Replacement (*)	ASX	dev ongoing	?	?
Triparty Collateral Management (*)	Banca d'España & SWIFT	dev ongoing	5	20-Jan
EMIP	Deutsche Bundesbank/ Banca d'Italia & SWIFT	dev ongoing	?	19-Oct
Shareholder Identity Disclosure (*)	SMPG & SWIFT	dev ongoing	3	May/Jun 19

- (\*) Last business justifications received:

a. ASX – Chess Replacement Business Justification

b. SWIFT and Banco de España – Triparty Collateral Management Business Justification (7 December 2018)

c. SMPG and SWIFT – Shareholder Identity Disclosure: Disposition of comments received on 25 March 2019

## Next to come

? MMF Regulation

## Challenges

- SUBMITTERS are different, and they 'impose' their **calendar** to manage their own constraints. Any 'global' actor in the Securities Industry has to manage an open calendar for ISO20022 new messages creation, and this is bringing much complexity in the release management of internal systems.
- Poor level of reuse of existing ISO20022 messages (see example of T2S and ASX – (settlement business area **semt**, cash management business area **camt**, Collateral Management Business Area **Colr** are common business area, hence ASX . obtained the creation of NEW messages). At the best some actors will have to manage different versions of the same messages in the same time. **The challenge is to have several versions of the same messages valid at the same time.**
- SUBMITTERS provide (a) documentation on how to use the messages, the different flows > **Is this a Market Practice ?**
- Regulators are playing a major role in pushing for / mandating the usage of ISO20022 messages / standard. One may think that a regulation only has a 'national' scope. This is not entirely true and most of the time **the extraterritoriality rules lead to a global application no matter what is the nationality of the player.** This is adding more complexity as the regulators do not consult each other before defining their agenda. (Transparency, Protection of Data, ...)
- Last but not least, the MI and/or the regulators can (it is their role) impose a regulation to their market and/or their participants. The global actors cannot take the risk to impose 'their' standards to their clients. **What is the progress with the TRANSLATOR SWIFT describes in one Board Paper in December 2018 ?**

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