



Your Gateway to Securities Standards !

# Boston (WebEx)

## Global SMPG Meeting

September 28 – October 2, 2020

<p><b><u>Meeting Venue:</u></b> WebEx teleconference</p>	
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### I. Settlement and Reconciliation - Agenda

#### Monday 28<sup>th</sup> of September

<b>13:00 – 15:00 (Brussels)</b> <b>07:00 – 09:00 (Boston/NY)</b> <b>19:00 – 21:00 (Tokyo)</b>	<p>Welcome and tour the table <span style="float: right;">Axelle, Marcin</span></p> <p>Action list review <i>(based on previous global meeting minutes)</i> <span style="float: right;">Axelle, Marcin, Alex</span></p> <p>CSDR</p> <ul style="list-style-type: none"> <li>- Summary of SR2021 CRs for penalty reporting <span style="float: right;">Robin, Alex</span></li> <li>- ISO20022 buy-in reporting message update <span style="float: right;">Marcin</span></li> </ul>
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#### Tuesday 29<sup>th</sup> of September

<b>13:00 – 15:00 (Brussels)</b> <b>07:00 – 09:00 (Boston/NY)</b> <b>19:00 – 21:00 (Tokyo)</b>	<p>ISITC update</p> <p><i>US related topic (ISITC Plenary Meeting Week 38)</i> <span style="float: right;">Jason</span></p> <p>PostTrade_SmartContractApps : What is it all about ? <span style="float: right;">Axelle</span></p>
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**Thursday 1<sup>st</sup> of October**

<b>13:00 – 15:00 (Brussels)</b> <b>07:00 – 09:00 (Boston/NY)</b> <b>19:00 – 21:00 (Tokyo)</b>	Hold/Release MP <i>(TBC)</i>	Ton
	SMPG MP Usage Guidelines on Mystandards migration – planning and priorities	Alex
	MP maintenance status and next steps	Marcin
	API as a new channel to connect to the (next to come) Transaction Management Platform > will ISO 20022 messaging disappear ?	Axelle

**Friday 2<sup>nd</sup> of October**

<b>13:00 – 15:00 (Brussels)</b> <b>07:00 – 09:00 (Boston/NY)</b> <b>19:00 – 21:00 (Tokyo)</b>	AOB	
	- Action Plan for the next meetings	
	- Working calls schedule	All

**Attendance list**

Alexandre Hotat, SWIFT  
 Alexander Topel, T2S/ DE  
 Armin Borries, Clearstream/ DE  
 Ton van Andel, NL  
 Annemie Loose, Euroclear/ FR  
 Asa Lewenhagen, SE  
 Axelle Wurmster, FR  
 Christian Pinetz, AT  
 Cindy Foo, SWIFT  
 Denis Andrejew, DE  
 Hiroaki Okumura, JP  
 Jason Brasile, US  
 Yusuke Kobayashi , JP  
 Marcin Zawistowski, PL  
 Olivier Leveque  
 Paul Janssens, SWIFT  
 Robin Leary, IE  
 Stephan Shuetter, CH  
 Suzanne Forup, DK

## Monday 28<sup>th</sup> of September

### **Welcome address**

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Axelle opened the session and welcomed the participants joining from all over the world, at early morning in the US, afternoon in EMEA and late evening in Japan and Asia.

The agenda were presented with Webex virtual sessions scheduled between Monday to Friday.

### **Action list review**

Marcin presented the action items created during last SMPG meeting. Majority of items has been already completed.

To improve action tracking a numbering scheme will be implemented. It will be considered to move actions to a separate document. Jason presented a spreadsheet used by ISITC that could be used as a template for SMPG.

Open actions discussed:

- SMPG to prepare a recommendation on settlement transaction codes  
The codes are already described in the standard. The CSDR requirements, including buy-in exemptions to be reviewed by ESMA and the markets expected to adopt accordingly.  
No role for SMPG at the moment.
- Partial settlement eligibility reporting  
To be further discussed during next working call

**Action 20-18** (Marcin) assign numbers to the existing and new actions.

**Action 20-19** (Marcin) prepare document containing summary of the actions.

### **CSDR update**

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S&R SMPG published final versions of two MPs in the summer covering CSDR requirements related to cash penalties and buy-in processing.

Alex informed that there were no more questions about MPs for the last two months.

It is very likely the CSDR settlement discipline will be postponed to 2022, although there is no final confirmation available.

Since the regulation is already 4 years old, it should be reviewed by the Commission next year. On the other hand the regulations are usually not changed before implementation.

A number of CRs were discussed with SMPG in September regarding cash penalties, in particular the global nets for global custodians. The CRs will be submitted for SR2021 in the fast track mode.

From SWIFT perspective the implementation is Nov 2021. Alex informed that SWIFT will not be able to implement any other new CRs by this date.

New ISO20022 candidate messages for buy-in reporting have been developed by SWIFT and KDPW. The messages are compatible with MT530 solution and have been already submitted for ISO20022 SEG approval.

### **INTS (internalised settlement) code**

The definition of the newly introduced code was presented by Robin.

After several discussions the following final version was agreed on Friday:

*INTS Internalised Settlement*

*The instruction was settled by the settlement internaliser/account servicer (eg custodian) in its own books and not through a securities settlement system (e.g. CSD system).*

### **Buy-in transaction code**

It was agreed the code will remain BYIY.

There is no need to split it into two separate codes from buy and sell perspective as for REPO, lending etc.

### Tuesday 29<sup>th</sup> of September

#### ISITC update

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Jason presented a summary of September ISITC virtual conference.

CSDR was one of the topics with discussions on the best use of time with the expected delay of the regulation.

Reference WG discussed transaction Id changes (i.e. tickers) resulted mostly from corporate events. Overdraft reporting and charging best practice was also discussed. Overdraft charge code ODC is used in MT940/MT950 cash reports.

Armin pointed out that with negative interest rates in many countries now, the positive balance of customer account is a similar issue, with Clearstream charging customers for holding too much money on the account. ISITC haven't discussed this side of the coin.

ISITC S&R WG continues to maintain the matrix tracking the market/CSD updates from around the world, including PSET codes and local MP specifics.

Spanish MP is still an open issue. There is no update to the local MP since 2016.

The custodians struggle with the usage of 22F::SETR/IBRC/OAUX code which is not possible to convert into T2S ISO20022 and creates non-stp exceptions. OWNI/OWNE usage rules is another issue not clearly described.

The workaround has been agreed by mail, but never updated in local MP.

**Action 20-20** contact Spanish NMPG representatives (S&R – Marcos Santos and CA – Diego Garcia) to discuss the possibility of updating the MP. If that's unsuccessful, the MP will be marked as 'obsolete' in the SMPG repository.

Alex raised the point of Jamaica PSET. Not connected BIC (with 1) is currently in use, which should be replaced with a regular one.

Robin declared the local MP for UK&IE will be updated for SR2021.

#### Post-trade smart contracts apps - what is it all about

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As an introduction to the discussion, Axelle presented recent developments of securities market infrastructures utilising DLT and smart contracts technology (slides attached).

Two examples of the new communication architecture were presented, including ASX CHES replacement project in Australia and Synapse system of Hongkong HKEX stock exchange.

The new go-live date for CHES replacement is April 2022. The new system will offer optionally Swift messaging, GUI, APIs and NaaS (Node-as-a-Service) with ledgerAPI.

The concept of NaaS is also under development in Singapore (SGX, MAS).

Ton pointed out that the presented examples look a lot like a new SWIFT model with TMP.

The new model will affect reconciliation processes. Ton argued that custodians will still have to administer client positions and the reconciliation will be needed.

Armin – API must be based on standardised data to be successful, otherwise new developments could lead to chaos and lack of interoperability.

Cindy mentioned there is API working group established in APAC. Their work is focusing on use cases between corporates and financial institutions in the payment space.

**Action 20-21** (Cindi) share non-confidential information of the group with SMPG.

Denis stated that the clear relation of JSON and ISO2002 xml syntax should be defined. Otherwise all the institutions will do it differently. SMPG could play a role there working with SWIFT on defining the data. Denis presented examples of payments APIs being developed. APIs exposed in SWIFT network are available in a standardised way.

Introduction of API is an opportunity to introduce standardised services, but there is also a threat that institutions will develop similar, but still different offerings.

## Securities Market Practice Group



### Meeting September 28 - October 2, 2020 - Invitation and Agenda

Alex stated that all components used in API developed by SWIFT will be standardized on ISO level. They will go through a formal process as any other ISO20022 syntaxes.

SWIFT created a dedicated API user group. APIs will be network agnostic and will be able to be exchanged in any gateway. SWIFT is currently working on status API in particular.

Denis asked how SWIFT is working on new messages - is it 1:1 translation of existing ISO messages or is it just the main element being re-used in API services. Alex explained that it is the key elements, covering all status codes currently used in ISO.

Robin – every MP is business oriented with MT and MX illustration. JSON is an additional syntax, not much different from the other ones. Marcin agreed adding that API models should be reflected in MPs in the future.

Armin predicted that MT548 MP could cease to exist in the future. With the push mode to be replaced with pull mode, where customers can cherry-pick the data they need in a very flexible way, the need of global MP might be questioned. APIs may introduce completely new processes. It is an open question, how to cover it.

Ton argued that customers will contact many custodians and they will expect standardized services.

### Thursday 1<sup>st</sup> of October

Based on the presentations provided during the plenary session on the previous day, the WG discussed further implications of the new SWIFT strategy with TMP and APIs.

The general direction of the strategy was welcomed by the group.

However, Ton was concerned the solution might be sometimes oversimplified. It might cause problems in the future.

Stephan mentioned SSI is important, but for the segregated markets you have to provide individual account anyhow. Armin agreed it will not be 100% solution.

For Annemie ISIN screening was interesting and it would be good to have it centralised, but it will be a challenge and complicated to cover all the scenarios. The goal might be too ambitious.

Armin summarized the discussion praising SWIFT for their proactive and ambitious approach saying if someone was thinking SWIFT was a sleeping beauty, it proved completely wrong.

#### **Hold/Release MP**

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Ton presented the updated document.

ISO20022 illustration is already covered. Partial settlement has been illustrated too.

Some of the MP assumptions are different from the solution already implemented by T2S. This relates to status reporting, timing of partial release instructions as well as daily cancel and reinstruct. The detailed gap analysis will be provided by Ton.

It was agreed that SMPG MP should always describe global recommended market practices. Any existing local/regional implementations, even if they should be taken into account, do not prevent SMPG from preparing their own recommendations.

Alex Topel underlined that T2S solution was thoroughly consulted with users. If the gap is an important topic, user community should rise it to T2S. Alex confirmed the T2S messages are frozen until successful T2-T2S consolidation project (around 2024).

Ton will update the existing draft, as there is still some finetuning needed regarding wording, additional illustrations etc. Once the draft is ready, we will discuss with T2S and other SMPG members if it would be helpful for the industry to provide some additional comments/disclaimer in MP explaining the existing gaps between MP and T2S solution, taking into account their market share and the pioneering role in this particular solution.

Ton explained there is no partial hold functionality. You have to put the transaction to hold and then partial release.

There is currently no good solution to report partial release results in MT548. Arnaud suggested we could imagine the solution with just one message stating the amount on hold and released, but it would require a heavy CR and it will take time – it is already too late to include it in SR2021.

Changing the instruction state between hold and release is only possible with MT530/sese.030 according to the new MP. The initial state, however, is instructed in mt54x using PREA/NEWM.

Handling of subsequent release instructions were discussed. Ton presented a following scenario: there is 1000 units in original instruction, released 200 of which 100 settled. If you need to release another 300, you will have to hold everything and release 400. The scenario will be further discussed, as there were no common agreement.

**Action 20-22** (Ton) prepare a summary of the differences between SMPG MP and T2S solution (done before the minutes were distributed);

**Action 20-23** (Ton) update the MP document for the next round of discussions.

#### **SWIFT strategy and API as a new channel of connectivity**

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Axelle presented the highlights of the new SWIFT strategy. Board already validated the strategy, so the question now is not 'if', but 'how' and 'when' to adopt it.



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The securities industry can learn from what SWIFT is doing in payments, even if the business processes are very different in both spaces.

To allow E2E transaction monitoring, the platform is going to store a golden copy of transaction. E2E monitoring means the need of a unique identifier, probably UTI or UETR. The adoption of the identifier will be a challenge for the industry.

Paul mentioned every new standard is related to cost of adoption, new technology etc. Whatever the Id is it is always a change. It is up to the industry globally, how to adopt it.

The processes will need to be harmonised not only between firms but also internally within institutions. Access right management could be an issue. Access of customers to all the details of an instruction would be strange. Paul explained it is similar to apps used for retail payments. The customers see only what he needs and is entitled to see.

Another feature of TMP - consolidated view of assets - need more clarification. Jason asked if the solution will ultimately replace GUIs in banks? Is SWIFT going to sell UIs to the industry? Paul explained it is not SWIFT intention to build complete UIs, it is rather that providers can use the platform to deliver services to the clients. For existing services, SWIFT will provide links to the providers, not to replace them.

Translation services will be there, but they will be not perfect with data truncation for example.

With securities messaging still increasing in the SWIFT network, the need for change is not so clear. Robin commented the case of MT548 which is the most commonly used message in SWIFT – the increased usage is not related to business growth. Use of API here could result in decrease of the messaging, if the processes would be optimised.

Accelerated deployment of APIs is a clear challenge from standardisation perspective. API is not the first transformation (starting with ISO7775-> ISO15022). SMPG have experience with it. We know it always takes time and is very complex.

Jason stated API might be perceived just like another delivery mechanism – we should concentrate on how to improve processes, moving more into real time end to end processing for example.

Armin disagreed with Jason. API is different than messaging in many ways. There is much more flexibility in what customer can get. The pull mode of APIs is also a big difference comparing to messaging working mostly in push mode.

Robin commented that existing query messages are offering pull mode already, although they are not commonly used.

Denis suggested we should concentrate on a specific use case from S&R area. Alex proposed to take settlement status reporting, which is one of the scenarios SWIFT is working on.

Today SWIFT messaging is regulated – you know exactly what is exchanged. APIs are unregulated. Is SWIFT going to play a role in publishing the services?

Alex and Paul explained how SWIFT is approaching API development today and the ISO20022 relation. The process of approving the API as ISO is already in place. The RA will register the API and publish it on the website. It is about data structures and resources. Out of scope is validation of the external data. The RA is the same as ISO20022. The full governance structure, including SEGs etc. is being discussed today. It is clear we cannot have long 18 months cycle for API.

Usage of the standards is another story. Potentially, we should have MPs around it.

Armin – in APIs the data elements should be the same as ISO.

Denis stated it should be business first and development later. The services need to be standardized on the very detailed level.

Axelle said SWIFT should be able to define the minimum set of data. The optional part should not be validated. Armin agreed we need to review the model and a need of having minimum set of data.

Armin proposed to invite some IT expert to better educate SMPG members on the real impact and scope of the API being developed. The relation to existing messaging models needs to be better understood to be able to plan the next steps for SMPG. Alex will arrange an SWIFT expert for one of the following working calls.

**Action 20-24** (Alex) organise a session with SWIFT IT API expert to discuss the technical details of API development including standards implications.

### Friday 2<sup>nd</sup> of October

#### **SMPG MP Usage Guidelines on MyStandards migration – planning and priorities**

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Alex presented a list of Usage Guidelines published on MyStandards in the name of SMPG. They should be related to MPs published on SMPG website. The latest update is for SR2017.

SWIFT offered to migrate the UGs to the SR2021 in the following months. The scope of work is significant, with a big number of the UGs involved and the need of separate manual migration for each year.

Suzanne proposed some priorities that should be covered in the first place. They are marked in the document shared with the group. The group agreed to take the prioritized MPs first.

SWIFT will migrate the MPs to the latest SR. After the initial migration it is SMPG members, owners of the respective MPs, who will be responsible of further updates and yearly migration.

Alex should provide the group with update of the migration experience, that should help the owners with the following migrations.

**Action 20-25** (Alex) to perform UG migration taking into account agreed priorities;

**Action 20-26** (Alex) to provide the group with progress update and share the experience.

#### **MP maintenance status and next steps**

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Marcin presented the list of MPs maintained by S&R SMPG.

Since the last SMPG meeting, two new MPs were published (CSDR cash penalties and CSDR buy-ins), one has been updated (Portfolio transfer) and one is under development (Hold/Release).

Many of the existing MPs still have no owners assigned. Marcin called for additional volunteers.

Suzanne kindly offered additional ownership of the Allegement MP.

Suzanne started updating Securities Transaction Posting Report MP.

Marcin declared updating Function of the Message MP, which is the oldest on the list.

The MP documents names published on [smpeg.info](http://smpeg.info) need to be harmonised according to the naming convention agreed during the last meeting. Alex will update the names, but the participants may provide additional comments within two weeks after the meeting (till Oct 16<sup>th</sup>).

**Action 20-27** (All) provide comments to the MP names proposed in the spreadsheet by Oct 16<sup>th</sup>;

**Action 20-28** (Alex) change the MP names based on the spreadsheet;

**Action 20-29** (Alex) check the possibility of having additional attributes (e.g. message names) in the MP list on the website;

**Action 20-30** (Marcin) update the spreadsheet to include description, message names etc.

**Action 20-31** (Suzanne) provide updated Securities Transaction Posting Report MP;

**Action 20-32** (Marcin) provide updated Function of the Message MP.



### Action plan for the next meetings

The group agreed to continue with the working calls on the monthly basis.

The calls will be organised monthly starting at 2PM CET. 2 hours will be booked as a max time for each call. The dates for 2020 calls are:

- Oct 28,
- Nov 17,
- Dec 15.

Additional calls may be organised on request.

**Action 20-33** (Alex) send invitations to working calls

The meetings should be based on action points, with the most pressing points to be:

- hold/release – including T2S solution gap,
- partial settlement: reporting partial settlement eligibility,
- amount in cancellation instruction,
- ISO200022 and APIs.

### Wrap up

Axelle, Marcin and Alex thanked everyone for the busy and productive week. The attendance and the scope of the agenda exceeded the expectations.

Stephan closed the call wishing to have physical meeting next time, which we all hope will be possible soon again.