

Meeting Venue:

Clearstream Operations Prague
Futurama Business Park, Building E
Sokolovska 669/136e
186 00, Praha 8
Or via Microsoft Teams

Sponsored by:



I. Settlement and Reconciliation – Agenda

Tuesday 14th of June

09:00 – 09:30	Arrival and registration
09:30 – 10:00	Welcome address Action list review
10:00 – 11:00	Digital Assets Update Guest speaker: Tom Alaerts, SWIFT
11:00 – 11:15	Coffee break
11:15 – 12:30	SR2023 CR summary Market Practice list review Methodology for local market practice documents
12:30 – 13:30	Lunch break
13:30 – 15:00	CSDR discussion and market practice assessment
15:00 – 15:15	Coffee break
15:15 – 17:00	MyStandards SMPG usage guidelines maintenance Regulatory Update Guest speaker: Karel Engelen, SWIFT

Securities Market Practice Group

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Wednesday 15th of June

09:00 – 10:00	UTI implementation Guest speaker: Simon Daniel, SWIFT
10:30 – 10:45	Coffee break
10:45 – 12:30	Market practice review and maintenance CSDR continuation (as needed from day 1)
12:30 – 13:30	Lunch break
13:30 – 15:00	Market practice review and maintenance
15:00 – 15:15	Coffee break
15:15– 17:00	ISITC Update by Aundrea Jarvis & Jason Brasile Planning session & AOB

II. Attendance List

Attendance list

Attendee	Representation	Attendance	Attendee	Representatic	Attendance
Alberto Almazan	ES		Marcin Zawistowski (co-chair)	PL	X
Alexandre Hotat (host)	SWIFT	X	Mayte Arraez	ES	
Annemie Loose	Euroclear/ FR	X	Michaela Fallourd	FR	X
Ann-Kristin Gonska	DE	X	Olivier Leveque	ECB	X
Armin Borries	Clearstream/DE	X	Ryosuke Abiko	JP	X
Arnaud Jochems	LU	X	Robin Leary	UK/IE	X
Asa Lewenhagen	SE		Sari Rask	FI	
Aundrea Jarvis (co-chair)	US	X	Silvia Sancin	IT	X
Ayaka Shibui	JP		Stephan Schuetter	CH	X
Brett Kotze	ZA		Stephanie Clark Fischer	FR	X
Charles-Raymond Boniver	SWIFT	X	Suzanne Forup	DK	X
Christian Pientz	AT		Takaya Hamamura	JP	X
Christine Strandberg	SE	X	Ton van Andel	NL	X
David Wouters	BE	X	Yusuke Kobayashi	JP	X
Denis Andrejew	DE	X			
Hiroyasu Niitsu	JP	X	Tom Alaerts, SWIFT	Guest	X
Hans Martin Aulie	NO	X	Daniel Simon, SWIFT	Guest	X
Jason Brasile	US	X	Nicolas Neufkens, SWIFT	Guest	X
Karine Taquet	SWIFT		Karel Engelen, SWIFT	Guest	X

III. Settlement and Reconciliation – Meeting Minutes

Tuesday 14th of June

Welcome address

Marcin and Aundrea opened the session and welcomed the participants joining from all over the world. The agenda was presented with Microsoft Teams for the hybrid (in-person & remote) sessions scheduled between Tuesday and Wednesday.

The collective group thanked Armin and Clearstream for hosting participants in Prague, for those attending in person.

Participants of the meeting introduced themselves, including name, firm and market of representation.

Action list review

Marcin facilitated review on the action items which remain open. The group celebrated the number of items closed since last conference.

A number of items are scheduled through the week's agenda, examples included action items

- Presentation on digital assets
- Discussion scheduled for review on market practice summary document and discipline around maintaining relevance of market practice documents
- Specific market practice updates, including hold and release documentation

Presentation by Tom Alaerts, SWIFT, on Digital Assets

(1) Digital assets in Cat 5 (&ISO 20022)

Tom shared a presentation on digital assets change request history and forward-looking view for SR2023 requests.

A major consideration is how to identify the digital assets. Within 2022 release a party is able

- within Option B of a message can include /DTIC/ as external financial instruct type code to represent the Digital Asset ID. The group discussed that FIGI was not approved as an ISO standard due to principals around charging for access to data by Bloomberg.
- In sequence E1 – Field 97a will allow a blockchain address or wallet where digital assets are maintained.
- In option D added quantity type code of DITU for the digital token unit number which expresses as a number the quantity of digital token.

The group discussed concept of account ownership. Denis highlighted the place of safekeeping is the blockchain. The wallet is not the safe keeping. Marcin clarified the two concepts are not mutually exclusive within a message.

Armin highlighted the benefits of a visualization on what is where and purpose within the workflows. Alexandre noted the benefits of the visualization to the annual SR maintenance review in August. Alexandre requested to have the workflows before the SR meeting in August.

The discussion in SR2023 is to rewrite usage rule to only pertain to :36D quantity to maintain the digital assets within the custodian. The other question is around place of settlement “PSET” solution. The suggestion is for the blockchain companies should get a BIC, and likely Option Q: PSET//4*35x The definition of BIC is business identifier code, and therefore the definition of ‘business’ is a key point in whether BIC is appropriate. Other considerations:

- Not all blockchains have a company behind it, scenario to identify digital assets where SAFE and ISIN are utilized

Arnaud highlighted question around PSET, given assets are fungible across block chains. A company can have multiple blockchains.

Tom presented considerations for 'place of price' and 'place of exchange' where there is a market maker which is slightly different than place of trade.

The group discussed a use case of an individual hiring a service provider. The result would be the outsource of the wallet and keys to a service provider.

A consideration is whether regulatory changes will drive change on the immediate horizon, omnibus vs. segregated account structure operating models, and consolidation with other traditional assets with a service provider.

Request for firms to consider broader representation in the Digital Assets WKG.

2023 Change Requests Summary Review presentation by Alexandre Hotat, SWIFT

Alexandre shared a presentation on the SR2023 requests submitted. BSC (Board) gave approval to start the MT maintenance process

34 Change Requests received, including but not limited to:

- 2: Payments
- 4: SnR linked to regulatory needs (CSDR)
- 20: Trade Finance
- 1: Common

The approach to the maintenance working group has expanded representation to top 20 country. This review is annual based on volume traffic for both ISO 15022 & ISO 20022. A question was asked whether the volume with T2S is considered, given the connectivity infrastructure.

Action item 22-04 for Alexandre to provide response on how T2S volume is contemplated within the maintenance working groups representation for volume. Answered by Alexandre, the volume of T2S is ISO20022 only and shared between countries.

Reviewed some change requests for SnR:

- Addition of a continuation flag for the penalties sequence
- Add a network validation to enforce the statement period of the penalty in monthly penalty report
- Add network validation rule to enforce payment date in monthly
- Add sequence D1a1B1 (penalty sequence) to network validation rule C2

Alexandre shared the SR2023 maintenance timeline published by SWIFT.

SMPG Market Practice List presentation by Aundrea Jarvis, co-chair

Aundrea reviewed the summary document of the SMPG SnR market practice documents.

- Document updated to include summary statement for purpose of the market practice document, scope of messages covered
- 22 SMPG market practice documents do not have clear ownership across SMPG representatives
- Age of documentation may be perceived as outdated
- How to track open / future considerations noted within market practice. For example, a market practice may refer to a future action to add content to a MP
- 6 market practices updated since last review
- 4 under review

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Christine shared approach for CA working group to methodically review each CA MP with the annual release schedule to align with standards release updates.

A question was asked by Armin regarding frequency of user reviews per market practice to determine prioritization. **Action item 22-05** for Alexandre to provide statistics on the frequent and user activity for SnR MP reviewed by the community

The group discussed approach for progressing the market practice reviews. The summary document to be distributed to group, individuals to volunteer for ownership of 22 unassigned market practice documents to facilitate review.

Discussion on version control and importance of clarity on progression of changes in the document. Aundrea demonstrated the section of version and changes. The group agreed any major changes to the integrity of the document should be reviewed with 'tracked changes' and feedback reviews. Drafted documents should be stored for universal access for future consideration of updates, as folks have struggled in past with located editable version/grids/workflow diagrams within the document.

Action item 21-18 to create summary document of market practice issues and proposals for Market Practice review process. Completed by end of conference, to be distributed to SMPG group.

Reviewed approach for local market practice. At the last conference, group decided "outdated" flag to highlight content is not accurate. The group discussed taking a stronger position and removing the market practice documents from the SMPG site in cases where significant inaccuracies identified.

Action item 22-06 for Alexandre to remove the Spanish market practice document, on the local market practice page as the document does not cover the T2S migration, and other infrastructure changes in the market are not accurate.

SMPG SnR will not contact local market practice contacts to confirm relevance of latest market practice document posted, and present recommendation to review and update within +5 years until a future date. There is confidence the NMPG Convenors and Vice-Convenors contact list based on Jacques process in SMPG, and expectation NMPG parties send updates to SWIFT as identified.

CSDR conversation and market practice review (Day 1 & Day 2 discussions)

The group reviewed aspects of the CSDR regulation and implication to active market practice documents. Asset managers and sell side community is sharing feedback that there are deviations, consistency issues and not strict enough stipulations to truly streamline communications through chain of custody. This result is not unexpected given timing of market proactive publication to allow community to actively apply the market practice documents following CSDR implementation.

Discussion points summarized below

(a) MT537 vs. MT548 adoption and considerations for standards release

The group revisit discussion on MT548 utilization for penalties, and whether change requests should quote the MT548. Given agreement to utilize was not reached to solely utilize the MT537, there was commitment to the MT548 formatting. The asset manager community was primary driver of including logic within the MT548.

A question was asked by Stephan on what % of SWIFT traffic for MT548 are related to penalties. **Action item 22-07** for Alexandre to messaging volumes for penalties using MT548 across industry. Answered by Alexandre, for March and April 2022 the usage was 41323 MT548 Messages with the function PENA.

(b) Applicability of the buy-in market practice document

The buy-in mandate decision has been deferred. The community will continue to assess effectiveness of the penalty regime to achieve settlement efficiency

Action item 22-08 for Arnaud to update the buy-in market practice document to highlight future implementation date based on regulatory outcomes postponed until 2025.

(c) Threshold for penalty amount

The group discussed around the operational benefits for a minimum threshold to apply a penalty amount. Stephan suggested approaching ESMA to provide recommendation to CSD to eliminate notification. Decision SMPG would not opine on minimal threshold as relates to a regulatory change.

(d) Removal of a cash penalty

Christine raised a question regarding clarity of practice specific to removal of a cash penalty. The regulatory framework defines the rules of when a party can remove a penalty. The focus of the conversation is on the reporting rules within the messages.

Paragraph Page 11 of current market practice “attributes do not have to be reported”, the group recommended clearer position on the practice and considering “should not be reported”.

Action item 22-09 for Arnaud to review history on language in the MP and provide recommended language change

(e) Update to a cash penalty

Page 26, The market practice clearly states the ACTV or REMO and no other codes. The question is around the reason qualifier. There is redundancy on the codes between status codes (25D:) and reason (24::B). There is not a rule that the status

:25D::PNST//ACTV

:24B::ACTV//UPDT

Long term to remove 24B UPDT in the change request.

Annemie asked Alexandre question on whether this field could be an extension of another change request. One of the existing CRs relate to network validation rules.

Action item 22-10 is Christine to provide a drafted statement for the MP update.

(f) clarification between reallocation verse switch or removal

Definition of Reallocation of a late matching party from one party. SWITCH between the failing and non-failing party. Definition and difference between the two is not clear. LMFP is the condition.

The cancellation of the penalty is removal. The principles of messages is that a party should cancel message and communicate new. An example may include a penalty with incorrect reference data.

This concept is missing from the market practice. In addition, the framework is light in the content. T2S is not experiencing this condition. The T2S penalty mechanism is not where this occurs. Generally this issue presents at the CSD, and an account servicer issue. It is not included in the global market practice. Arnaud recollects the SWITCH is about T2S, we are not seeing this in the ICSD.

Action item 22-11 is Christine to provide a drafted statement for the MP update.

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(g) Absence of a cash penalty applied, such as a confirmation and business process when 'no penalty' when party expecting a penalty

Discussion on impacts when a party is expecting a penalty and no cash penalty is applied. No actions identified at this point in time.

(h) market claims

Market claim is a key issue given timing of original instruction. Proposal coming from the German market practice group to CSDR refit to be excluded from penalty scheme

The SnR group reviewed proposals historically on the "CLAI" code & usage of nonref

(i) Netting cash penalties

Custodian may want to offer a service to net debit/credits. The option and proposal to net is not documented and should be assessed.

Action item 22-12 Robin to draft a recommendation

(j) SEME reference in the penalty reports – Robin

SEME is unique per message, a unique reference per page. Same SEME across multiple pages makes it then become a statement message. This concept is not limited to the penalty reports.

ISO has two separate fields between statement message reference and the unique reference id. SWIFT confirmed every page should have its own SEME. Multiple messages create a single multi-page report.

Should this be included in the market practice. What should be populated in the market practice and where in the general information sequence. The reference itself may not be a conclusive view.

Action item 22-13 – Robin to draft a recommendation

(k) linked trades and how to assign party at fault

Marcin raised a discussion around linked trades. A local discussion occurred in Poland, similar discussion is taking place in T2S initiated by Iberclear.

T2S documentation shared regarding background. The market requirement highlights no penalty should be assigned to a party that has not settled its instruction because its counterparty has its instruction linked.

A parallel to the hold and release workflow and accountability was highlighted.

Party A to deliver to B > B linked delivery to Party A > where Party B fails to delivery to C, should it really be Party A

Robin shared PENF / LINK presented by Iberclear to highlight this condition.

Action item 22-14 – Marcin to define the process for the linking and market workflow. This may also be an action item to confirm with ESMA once the discovery of the topic is complete.

Action item 22-14 Ton to share minutes from the T2S review of Iberclear request.

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(l) AFME presented a question on internalized settlement

Christine raised a comment from AFME regarding opportunity for market practice to cover internalized settlement.

Open question on how/who from AFME will notify SMPG and the problem statement. The group discussed when and how a party notifies internalized settlement occurred. This is not directed by message sender but rather the service provider notifies sender. Is the question whether it should be in scope for penalties and whether penalty should be included? Internalized settlement reporting is provided to regulators.

There are bi-lateral agreements between client and service provider on when/why internalized. The request is an internalized account transfer. There are market level conditions which may result in internalized settlement.

Examples were discussed with one CSD account and multiple securities accounts.

No actions at this point until AFME engages SMPG member(s).

(m) General comments

Acknowledge the adoption of the market practice documentation is lacking across certain CSDs, custodians, and parties in the chain of custody. AGC (Association of Global Custodians) Task Force for penalty reporting to be convened.

Continue to discuss whether the MPs are too CSD centric, and not strongly considering custodian views. No specific cases presented to enrich market practice. Implementation has shown there may be opportunities.

The goal of the market practice is to reduce options, but when there are clear options the 'how to implement' describe options in the market practice.

MyStandards SMPG usage guidelines maintenance

General question on MyStandards stats and how many 'clicks' within the application by users. Alexandre requested to have statistics.

Message Version Comparison, which highlights the delta between prior versions. The user is able to compare the standards release to the prior version of the message. The usage guidelines history is available via this tool.

The utility button to automatically execute migration to latest SR is not available yet and will be at the end of 2023.

Presentation by Karel Engelen, SWIFT, on Regulatory Updates

Karel presented a number of regulatory initiatives and considerations

(1) Regulatory reporting

The first major overhaul of derivatives regulatory reporting brought in to focus standardization of unique elements including UTI, LEI, UPI and establishing common data elements (CDE). Regulatory reporting standardization is a common problem, and reliance on ISO20022.

Data harmonization has progressed across the CDE (114 fields), CFTC (128 fields), and ESMA (192 fields) with 63 common values.

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MIFID II & MIFIR regulation: Commission is promoting one single consolidated tape provider (CTP) appointed by ESMA for each asset class (shares, ETFs, bonds, and derivatives). Additional details should be available in end of 2022.

EMIR refit started in 2017

(2) CSDR Settlement Discipline Regime (SDR) is actively being assessed around effectiveness of increasing settlement efficiencies. The CSDR buy-in mandatory not enforced at this point. Armin asked question regarding considerations for whether European market T+1 initiative is going to pick up momentum.

(3) General highlights on FTT (Financial Transaction Tax) considerations, Markets in Crypto-Assets (MICO) as part of the Digital Finance package, pilot Regime for DLT market infrastructures

General discussion on regulators utilization of the data captured by the regulatory reporting.

Wednesday 15th of June

Presentation by Daniel Simon, SWIFT, on UTI Updates

Daniel presented an update on next steps for UTI implementation, as group has background on the initiative.

Data aggregation and secure exchange of information for instruction data and status data. Discrepancies alerting, improved allgedgements reconciliation, improved resolution of matching discrepancies – two parties would need to establish these rules.

Resolution owner, proposed action, and other party input which may enrich data to assist

A discussion on translation which occurs in the chain of custody. There is acknowledgement of small transformations (i.e. SEDOL to ISIN). How will this solution be affected by this concept?

Multiple channels (MT, GUI, API), Audit trail & transaction linkage, metrics& analytics.

Discussed the concept of audit trail in more detail. SWIFT will maintain the audit trail without surfacing information to parties. This is primarily due to the compliance screening considerations. Comment from SWIFT that they have purposefully excluded fields that would include personally identifying information. Annemie highlighted sanction screening may be broader than just personal data.

Denis asked a question regarding local regulations and how the transaction storage may be a consideration.

SMPG by-laws discussion

The group discussed Armin recommendation to update the bylaws with updated definition on responsibilities of NMPG. Acknowledged SMPG is not responsible for content of local providers.

Confirmation that NMPG convenors and vice convenors maintained by NMPG lead.

Aundrea recommended listing all documents the local NMPG representatives are responsible for, Convenors list, Market Practice Summary document, LocalMP documents,

Action item 22-15 Armin to draft changes to the by-laws specific to NMPG role and responsibilities.

Bi-lateral Repo market practice draft review, presented by Aundrea Jarvis

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Aundrea reviewed the four changes to the document (a) link to Same Day Settlement Service website (b) Netting/Pairoff language within the futures consideration section (c) removal of market practice version numbers within the text of the market practice (d) grid change to reflect repurchase type from ROLL to PAIR/TOPU/WTHD as introduced in 2018.

The group approved the market practice with two minor updates (a) title on each page to reflect MP name and (b) reference to SMPG market practices will include updated formal link name

Action item 22-16 Aundrea to complete updates to post final MP to SMPG site

ISITC update presented by Aundrea Jarvis and Jason Brasile

Presentation shared highlighting key focus of ISITC specific to settlements and reconciliation. Highlights included;

(a) T+1 Accelerated settlement

- Reviewed key considerations including T+0 distraction, legal arrangements and implications with new parties, timeline implications to certain workflows such as allocation/affirmations, securities lending, FX
- Shared links to ISITC feedback to SEC proposal
- Projected 2024 implementation date

(b) FED ACAP

- Reviewed three phases to expand service for tracking P&I on coupon bearing securities for Repos and Loans
- Service is focused on automating the corporate actions collection and distribution for tracked securities, with focus on parties electing to participate in the offer
- ISITC MP Updates in progress
- Question raised around the tax implications between account owners

(c) Securities related payments cash purpose codes, ISITC alignment with ISO external purpose code and BTC code list

(d) SWIFT partnering with ISITC on cash party sequence updates in relevant MPs

Demand to revisit Time Deposit published market practice **Action item 22-17** for Aundrea/Robin to identify SMEs to reassess open questions on rollover complex interest vs. compounding scenarios

All other business

Request from group to receive an update from the SMPG Payments Task force at a future meeting.

The group discussed possibility of utilizing MyStandards for internal SMPG documentation storage. **Action item 22-18** Stephanie Clark Fischer to follow with Alexandre on the approach.

Hold/Release MP & SMPG-MP-SR-Custody and Accounting Report updates deferred to another meeting. Place of Settlement & Place of safekeeping 'Live' review deferred to another meeting based on agreed approach to assign review of MP to align with standards release.

October 5 – 7, 2022 event will be hosted by ABN Amro in Amsterdam. The host will include all SMPG groups. There is expectation that the Plenary day will be hybrid and public event to solicit higher global attendance. Next year's spring meeting will be in Oslo Norway from April 18-20, 2023. Guest host for Autumn 2023 to be targeted for alignment with Sibos in Toronto.

Conclude meeting

Marcin Zawistowski and Aundrea Jarvis concluded the meeting.

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The group agreed to resume monthly meetings following summer. No virtual meeting in July and August due to summer vacations. The monthly meetings resume on first Thursday of month, starting September 1, 2021 meeting time 2PM – 4PM CET.

No other topics or questions raised for discussion.

Spring Forum week concluded.