



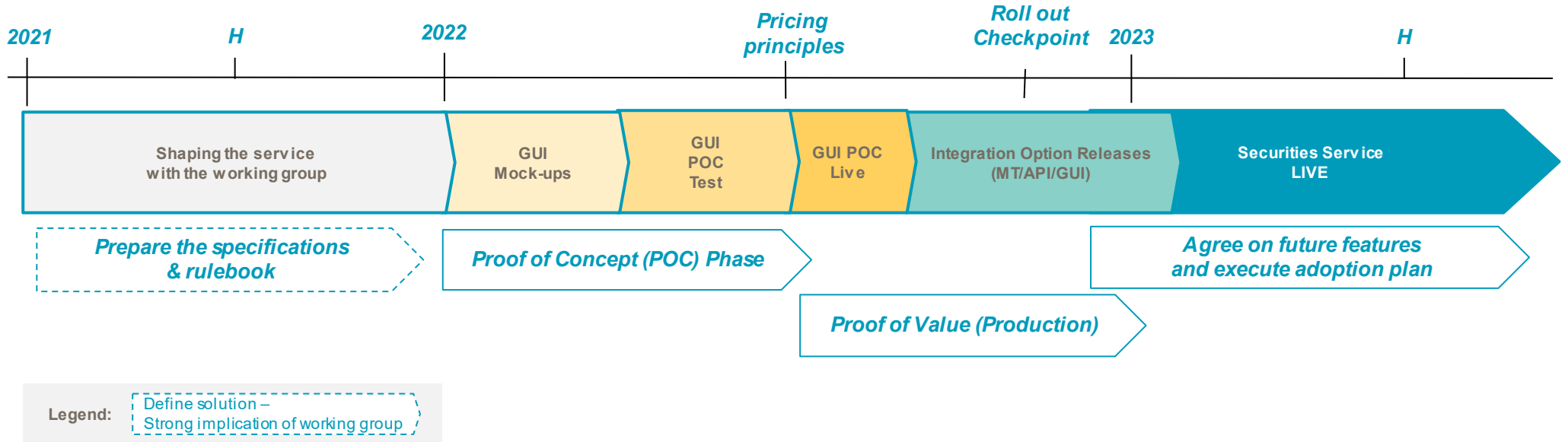
# Securities Tracking Initiative

## Smarter Settlement Transactions

Service Capabilities

15<sup>th</sup> June 2022

# Service Roadmap



*Industry-wide UTI adoption campaign*



# Pilot participants

## Asset Managers

- Sovereign Wealth Authority\*
- HSBC
- Asian Asset Manager\*
- Optiver
- US Asset Manager\*

\* Requested to keep their name confidential

## Brokers

- Citi Global Markets
- Credit Suisse
- Pershing

## Custodians

- ABN Amro Clearing
- BNP Paribas
- BNY Mellon
- Citi
- JPMorgan
- Northern Trust
- SEB

## CSDs

- Euronext
- Euroclear

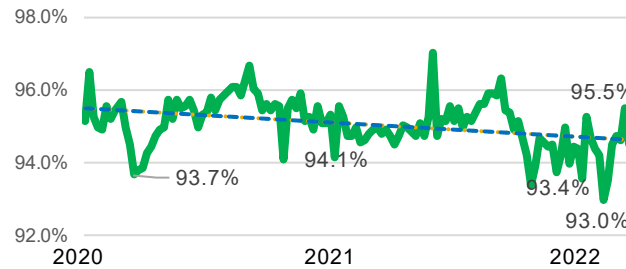


# Market context – combined effect of several drivers: exceptions, penalties, T+1

## 1. Securities post-trade settlement suffers from various inefficiencies & costs

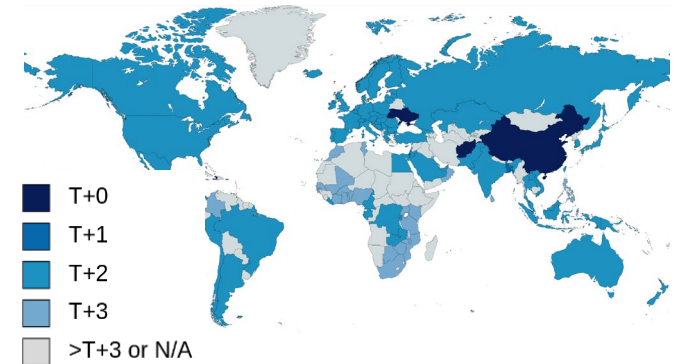


## 2. Central Securities Depositories Regulation (CSDR) guidelines for enhanced settlement efficiency including penalties



**Settlement efficiency is decreasing since 2020**

## 3. Markets moving to T+1 & T+0



**T+1 challenges for cross-border flows**

- Time zone challenges for resolving settlement issues
- Securities borrowing
- Cost of fail
- Cross-border FX

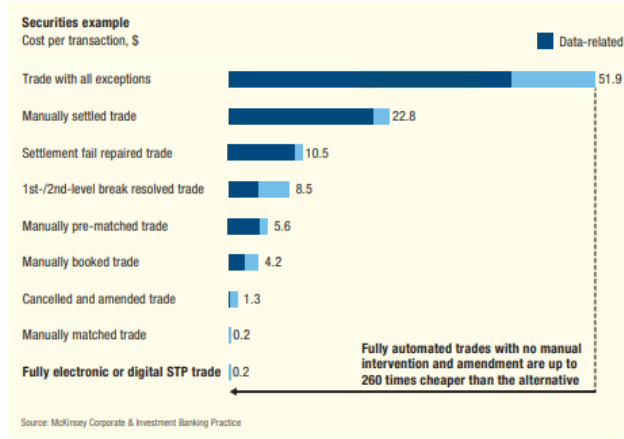
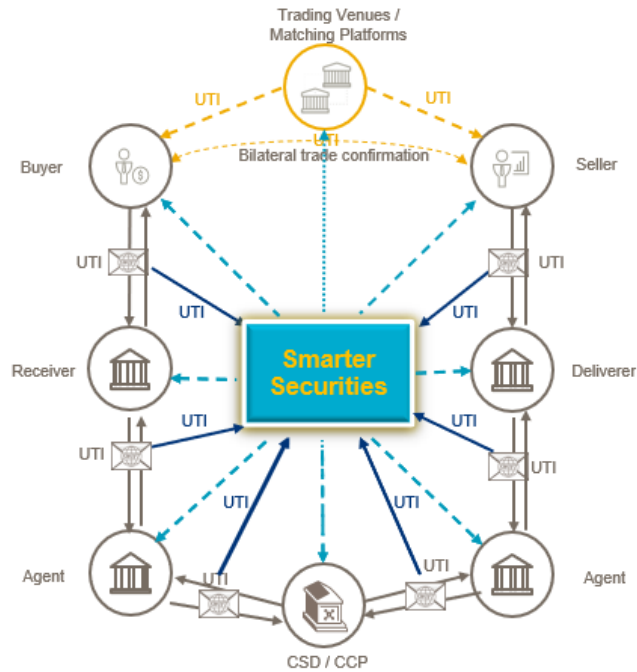


# Post trade settlement processing – a ‘cost centre’

Impact domain assessment determined focus on operations processes and settlement efficiency.

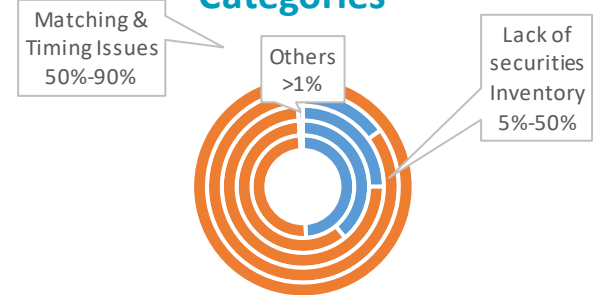
**Cost of settlement**  
Focus on exceptions: prevention, resolution and responsibility

**Pre-settlement exceptions & Failed trades**  
differing reasons pre & post settlement



**STP vs non-STP**  
Trades that require interaction are typically a factor more expensive than trades that settle with no interaction

## Pre - Settlement Issue Categories



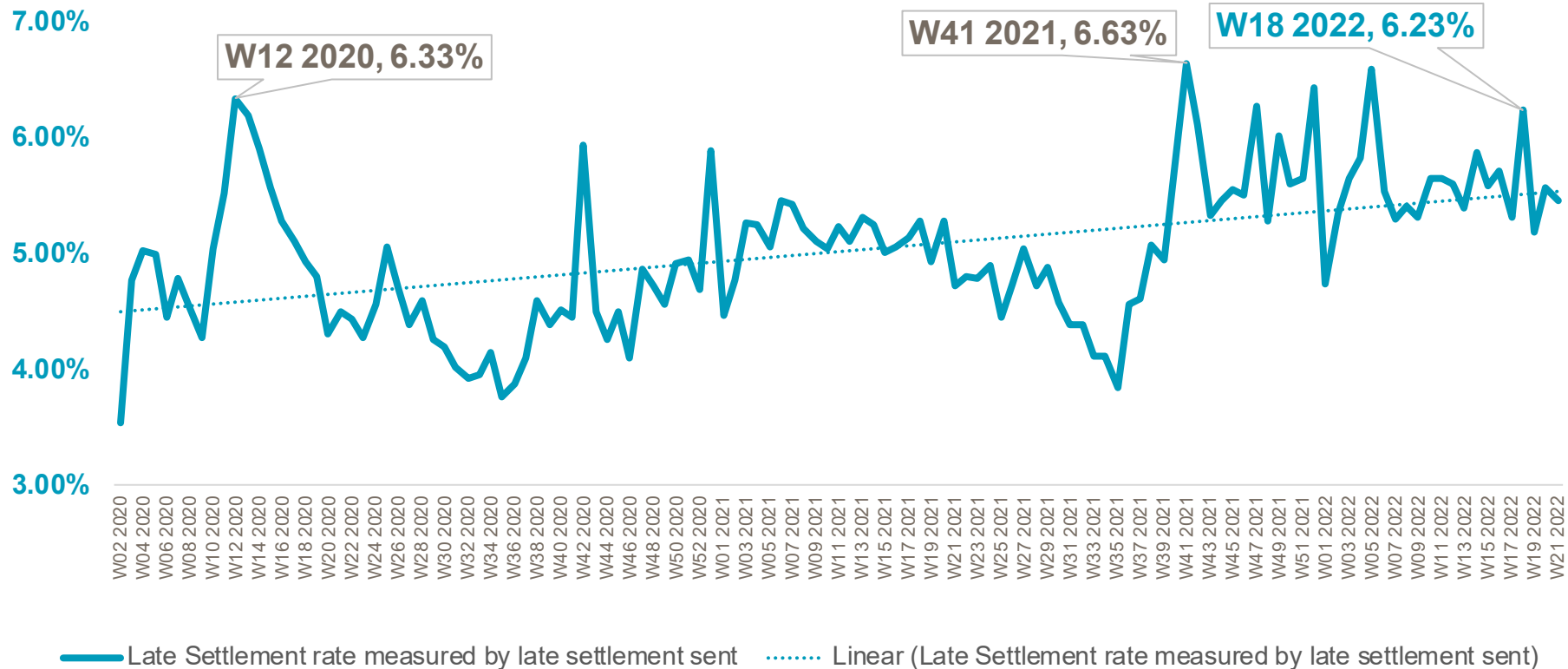
## Fail Categories



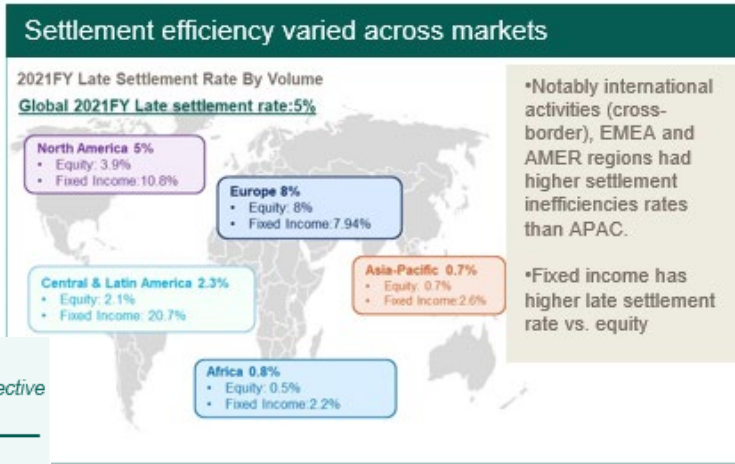
# Market volatility events and higher transaction volume led to increased inefficiencies



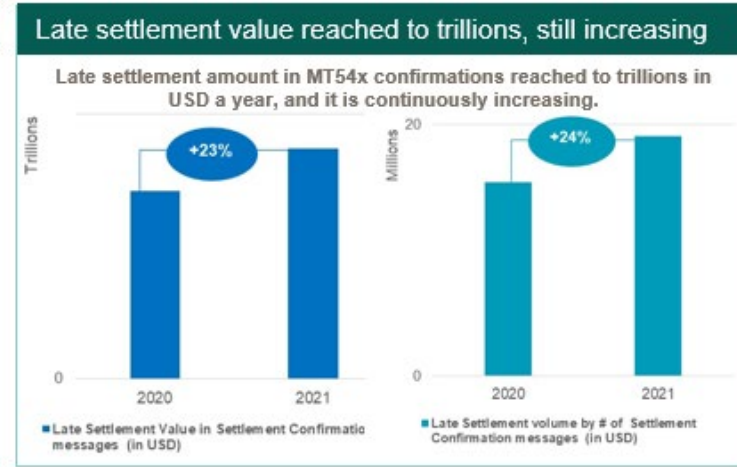
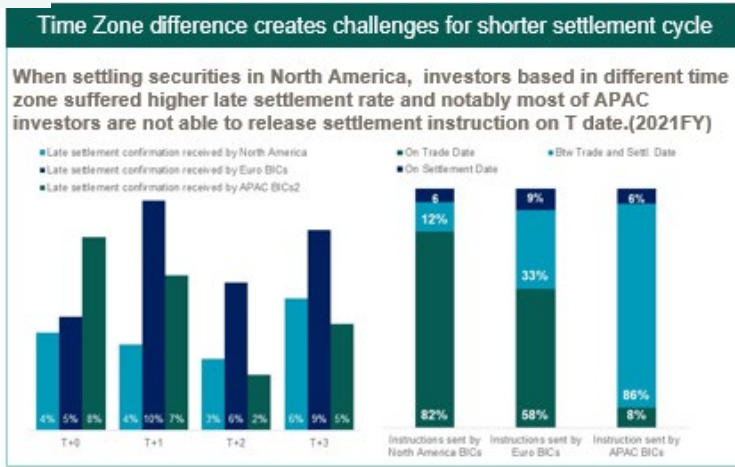
Late Settlement as reported by trade instruction confirmations



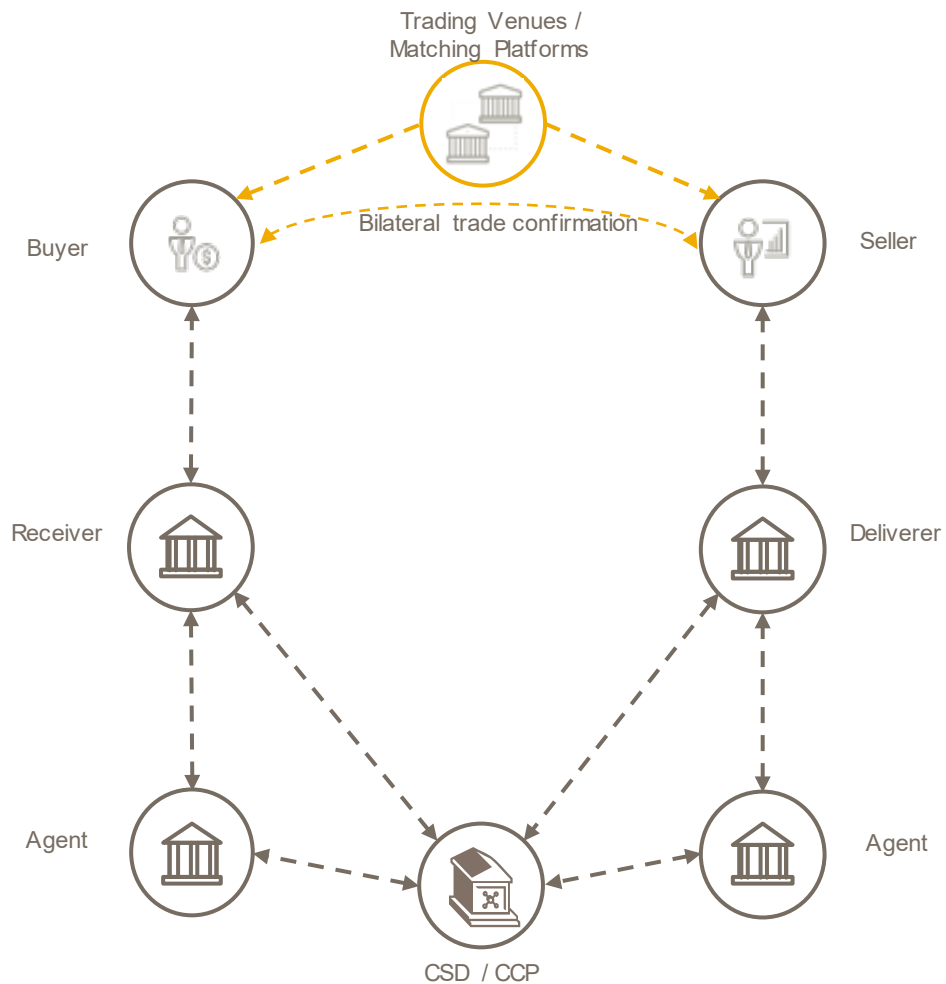
# Security transaction view to see everything needed and beyond



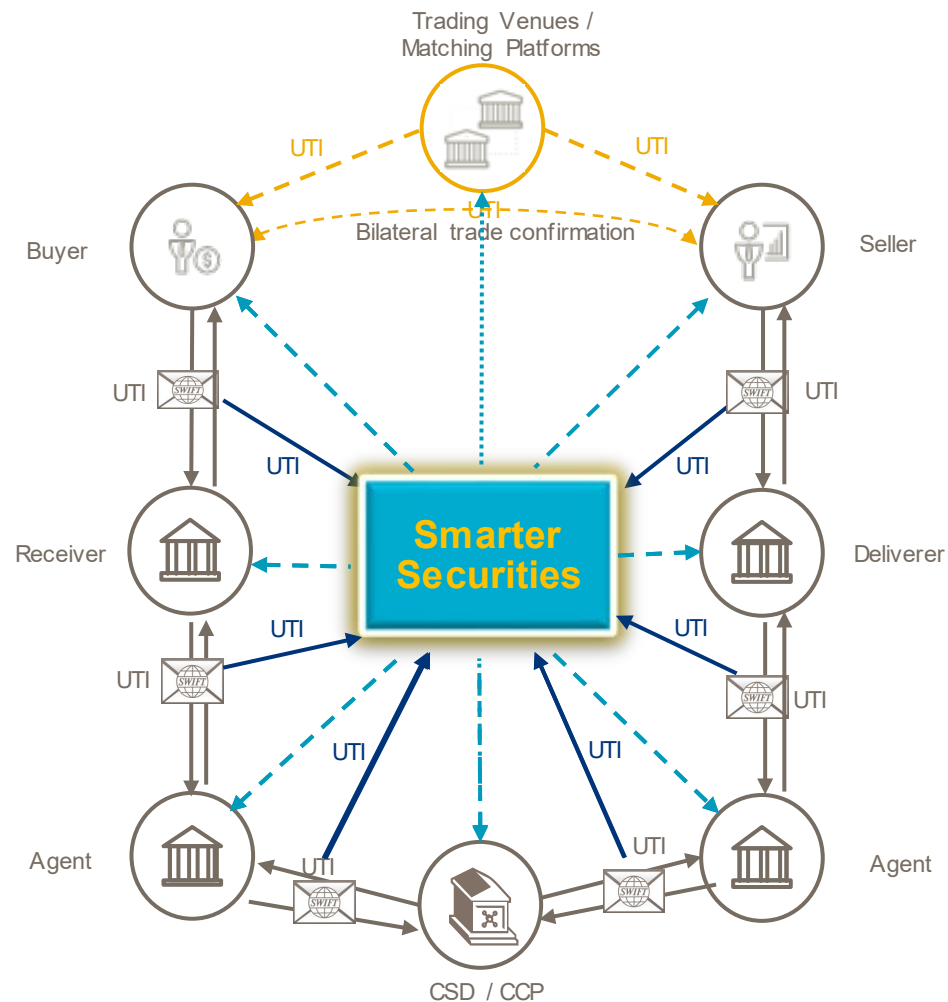
**Late settlement rate =**  
 $\frac{\#value\ of\ MT\ 545\ \&\ MT\ 547\ which\ "Effective\ Settl.\ Date - Expected\ Settl.\ Date" > 0}{Total\ \#value\ of\ MT545\ \&\ MT\ 547}$



# Current and future state



**From isolated messaging**





**To transaction visibility**








# Operations capabilities


 **Real time progress information**  
on instruction, status and resolution


 **Compare & Alert service**  
highlighting discrepancies between own and counterparty instructions

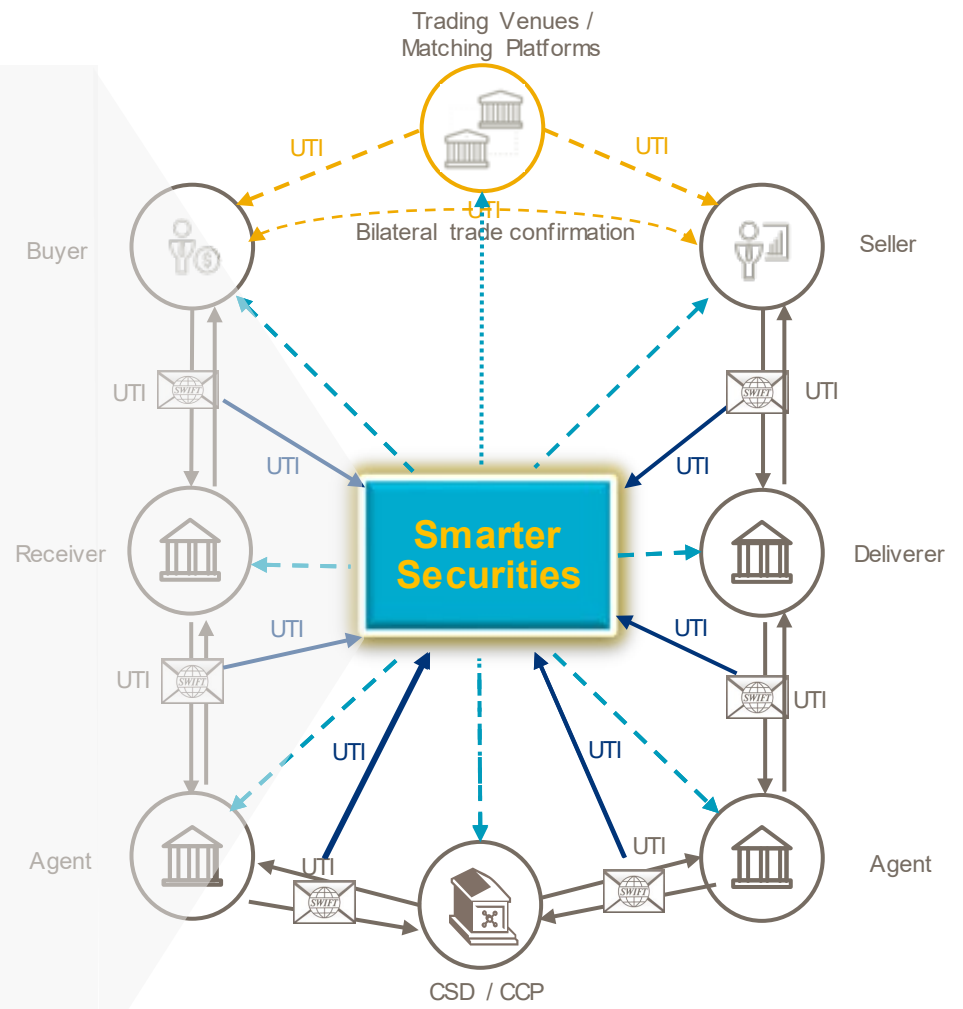
 **Improved allegation reconciliation**  
thanks to visibility of own and counterparty instructions

 **Automated resolution processing**  
Enhanced status exchange and resolution ownership

 **Multiple channels**  
API, MT and GUI

 **Audit trail & linkage to other transactions**  
record of lifecycle history, root cause, claim management connection up & downstream, and associated transactions

 **Metrics and analytics**  
settlement and fail root cause analysis



**An interoperable model supports shared consensus and improves settlement efficiency**



# SWIFT Securities messaging

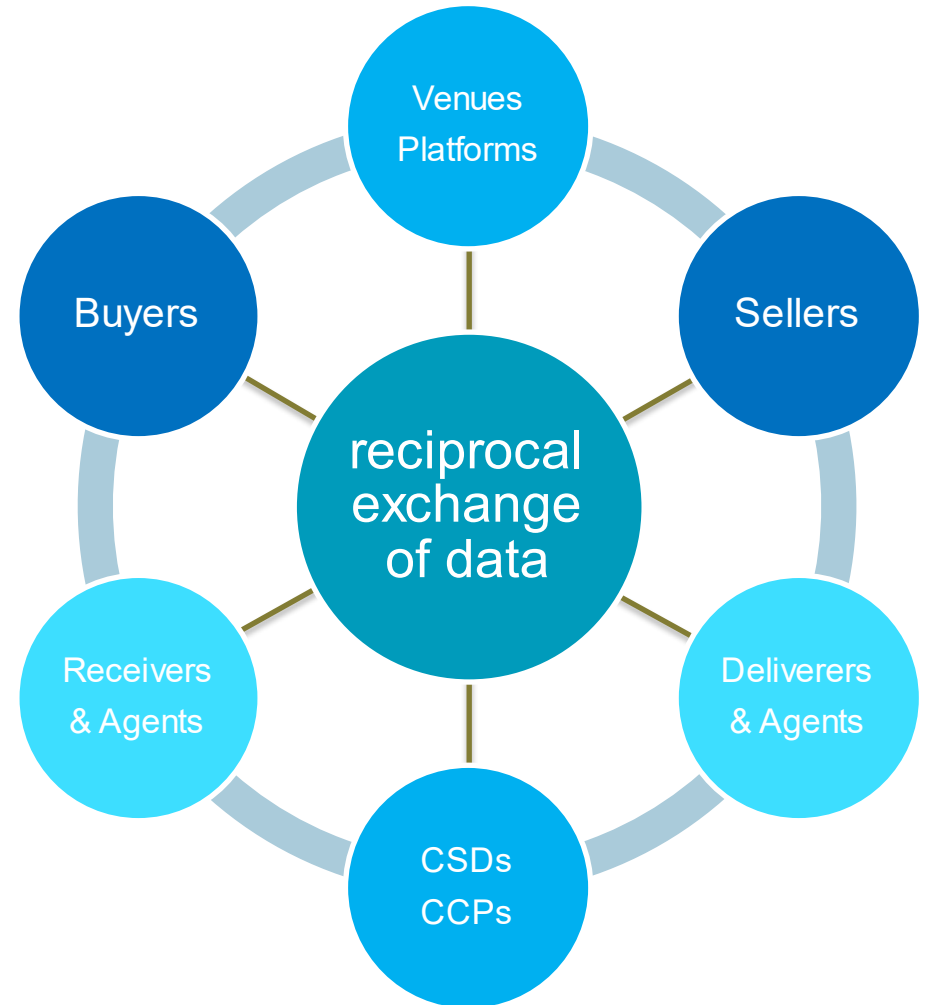
Providing reliable, secure and efficient messaging services to our community

## Foundation

Secure exchange of

- Instruction data, and
- Status data

between settlement parties



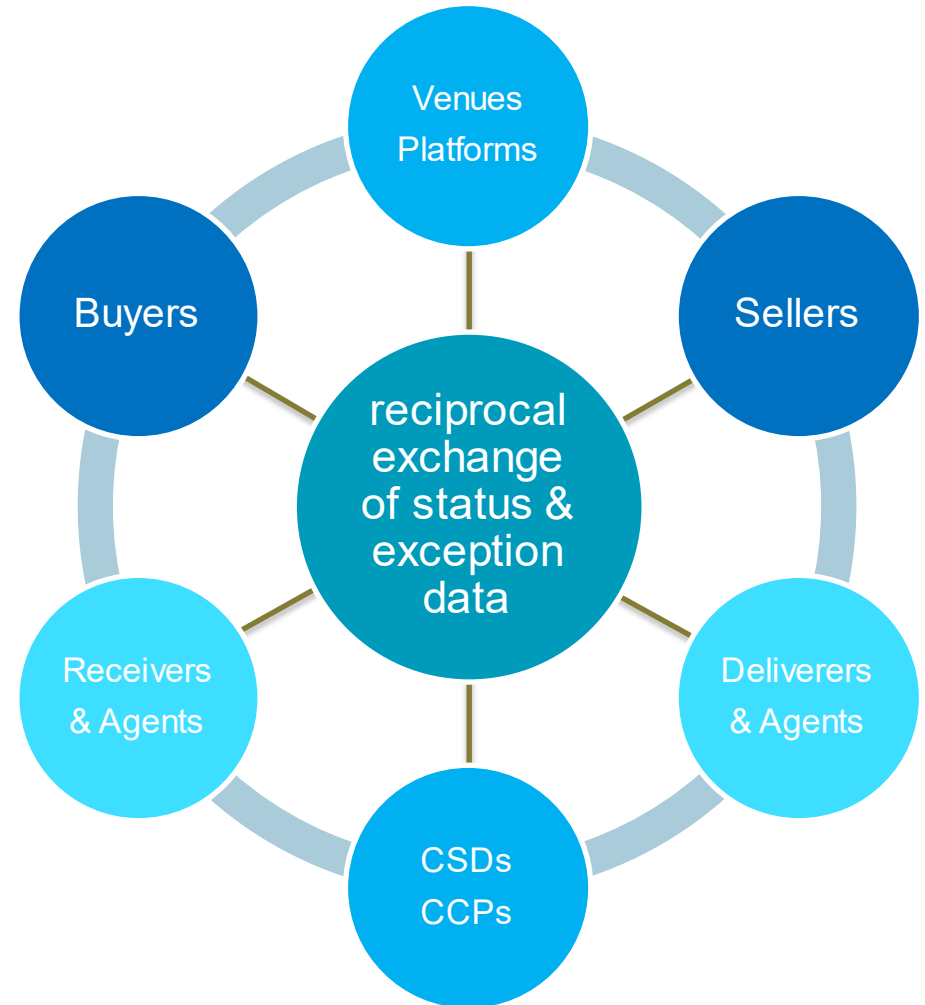
# SWIFT Securities messaging

## Settlement efficiency

### Improve STP Prevent fails & address exceptions

remove manual intervention and  
enhance customer experience

enhanced status and resolution  
ownership



# Operations capabilities



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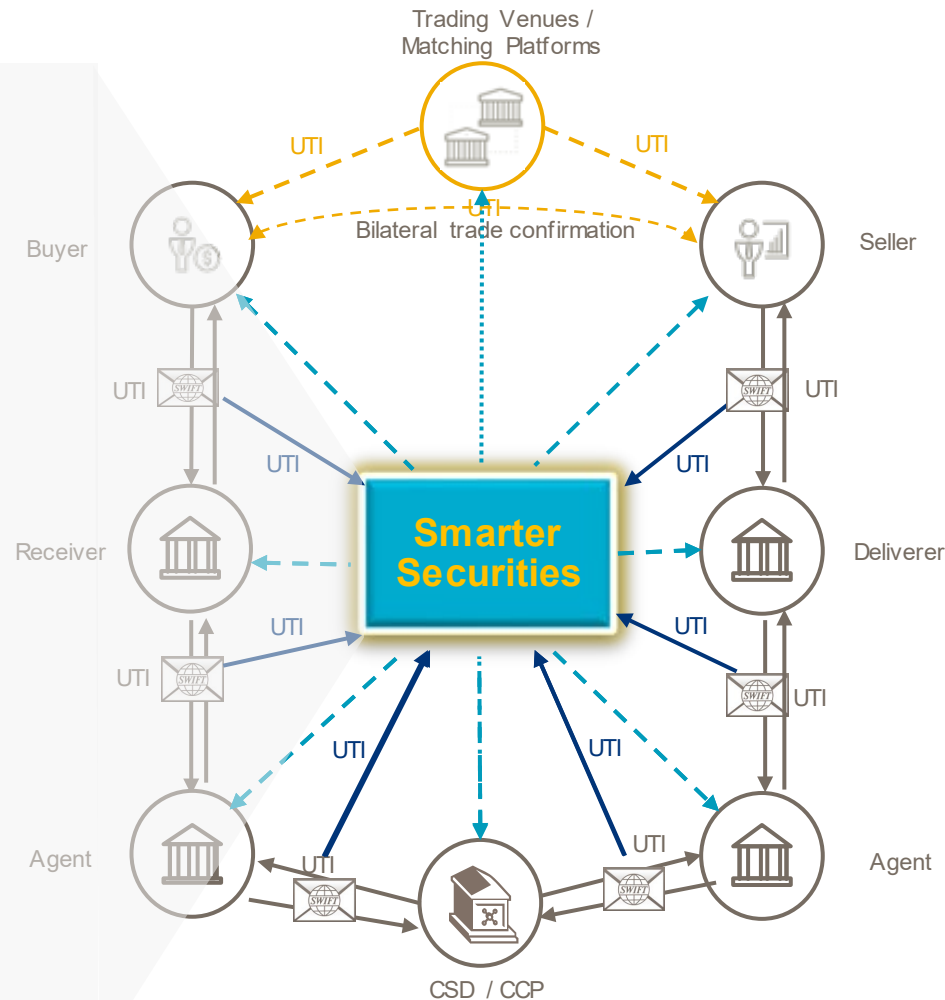
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# Instruction Data – Elements and Categories



**Alert service**, highlighting discrepancies between counterparty instructions

Category	Value	Data Relevance	Alert service	Comment
<b>References</b>	SEME / RELA	Bilateral	No	Used bilaterally between sender and receiver
	TRRF / MITI	Mutual	No	Relevant to multiple parties for the transaction
<b>Dates</b>	SETT – Settle Date	Mutual	Yes	Alert service identifies discrepancies
	TRAD – Trade Date	Mutual	Yes	Discrepancy on Trade Date doesn't directly impact settlement
<b>Instrument</b>	ISIN & Local (Cusip/Sedol etc)	Mutual	Yes	Parties should have consensus on the instrument
<b>Amounts</b>	Quantity to be Settled & Type	Mutual	Yes	Should match ex
	Settlement Amount & Currency	Mutual	Yes	Final Money Difference
<b>Accounts</b>	Safe Keeping (97a)	Bilateral	No	
<b>Parties</b>	Buyer / Seller (BIC's)	Mutual	No?	Broker Mismatch
	Delivering / Receiving Agent (BICs & DSS)	Both	Yes	Clearer mismatch
	Others			
<b>Places</b>	Place of Settlement	Mutual	Yes	Location differences: cross border / Inter & Intra CSD - Bridge
	Others: Safekeeping / Trade	Bilateral	Yes	

# Operations capabilities



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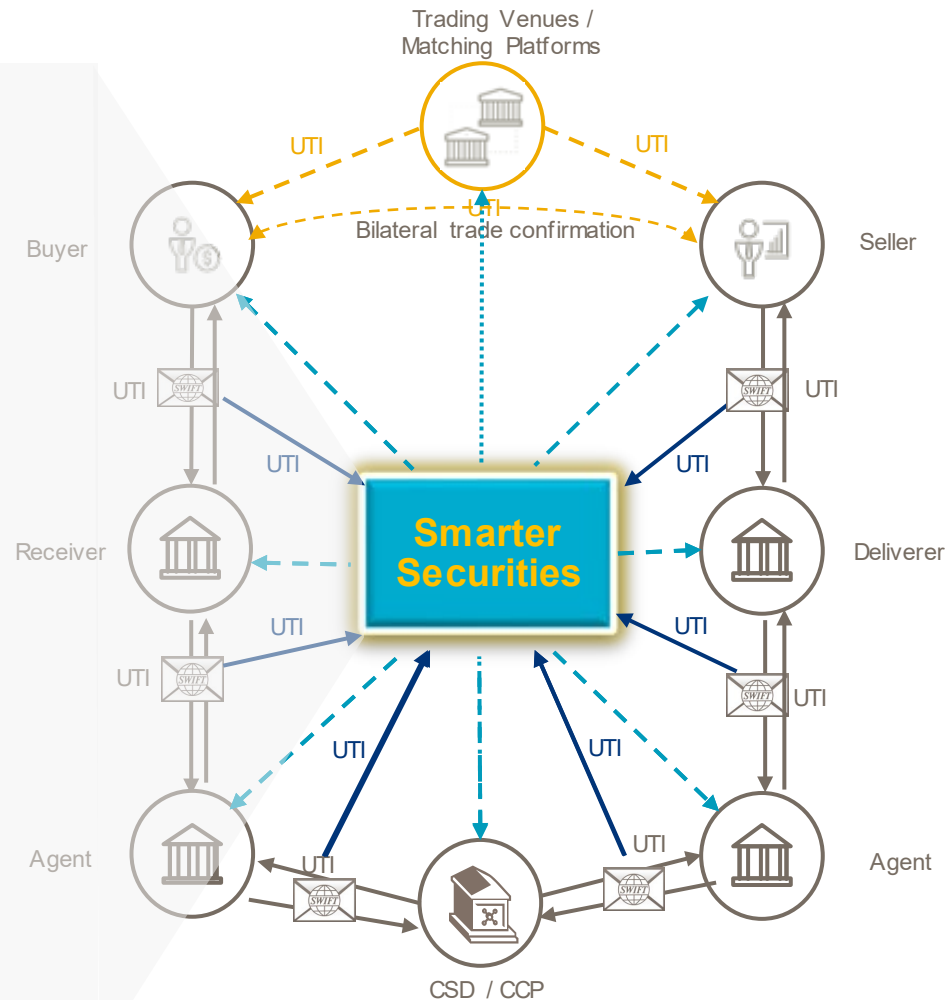
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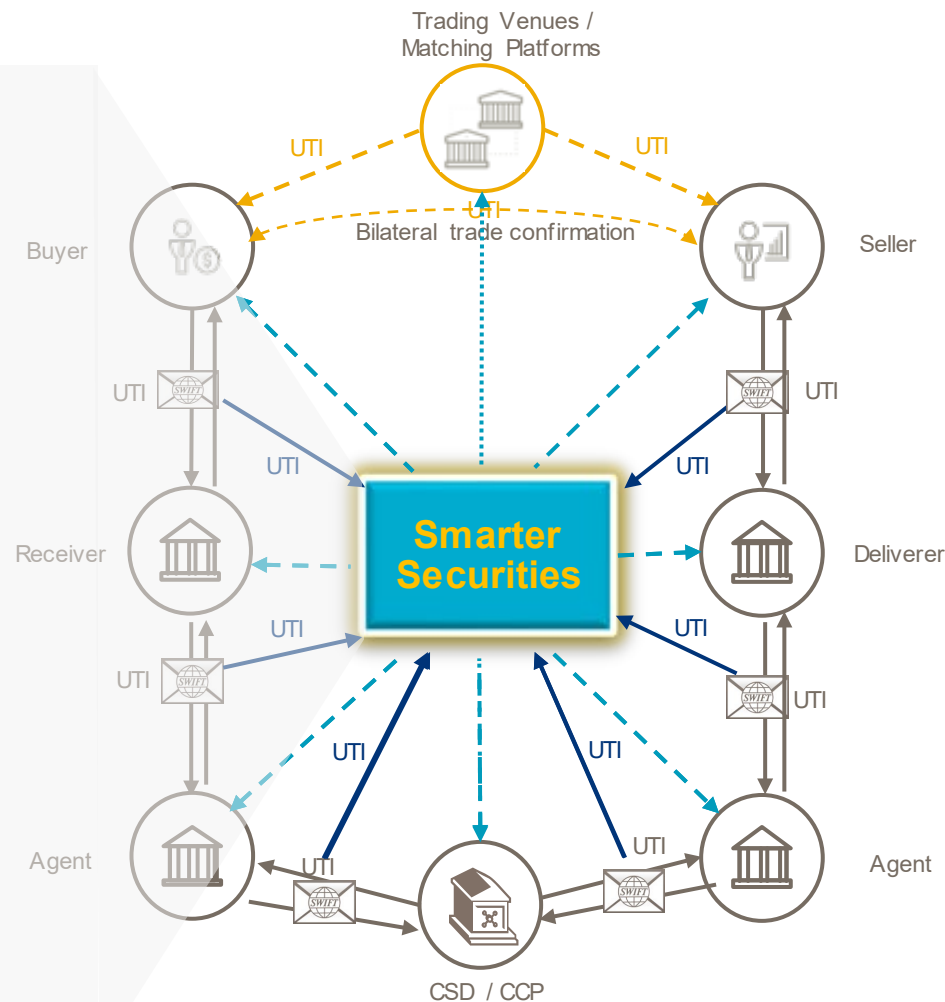
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# Post trade settlement processing – a ‘cost centre’

## Evaluate use cases and information available to

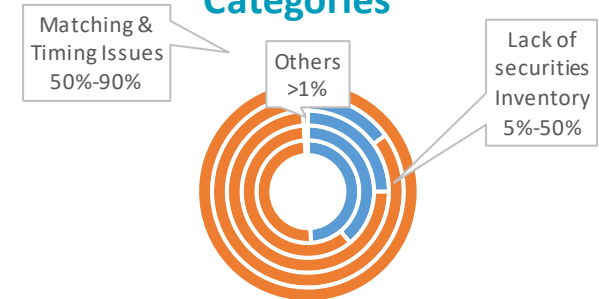
- identify resolution owner(s) to investigate / correct
- identify proposed correction (where possible)

### Frequent use cases and reason codes

	Settlement Discrepancy	Reason Description	REASON CODE
1	Settlement amount	C/P has no instruction	NMAT//CMIS
2	Trade Date	Difference on Value Date / Quantity	NMAT//DDAT or DQUA
3	Agent	Difference on C/P'S Account	NMAT//SAFE
4	Safekeeping Account	C/P has instruction with other A/C	NMAT//SAFE
5	Buyer/Seller	Difference on settlement amount	NMAT//DMON
6	Quantity	Difference on C/P	NMAT//DTRA or ICAG or ICUS
7	Settlement Date	Possible Duplicate Instruction	NMAT//PODU
8	Counterparty Cancelled	Lack of Securities	PENF//LACK & CLAC
9	Registration Details	Instruction on Hold	PENF//PRCY & PREA
10	Deal Price	Insufficient Money	PENF//MONY
		Awaiting next cycle	PENF//CYCL

## Pre-settlement exceptions & Failed trades

### Pre - Settlement Issue Categories



### Fail Categories





# The multiplex of settlement

## Secure standardized data exchange across multiple settlement party's & segments

Institutions, Executing Brokers, Outsourcers, Depositories, Banks, Market Infrastructures, Custodians, Agents, Clearers, Prime Brokers, Platforms, Exchanges, Service Providers...



# Post trade settlement messaging – enhanced status exchange

Bilateral messaging (MT54y) is used to advise the

- **status** of a settlement instruction
- to report on **future** settlement
- to reply to a **cancellation request**

For both parallel and linear settlement and matching processes.

The consultative process identified benefit from enhancing current status information to support resolution with automated derivation of

1. An identified **resolution owner**
  - Buyer / Seller are ultimate owners as originating party?
2. Proposed **action**
  - Suggested **correction**: correct field value to x
  - Owner(s) to **investigate**
3. Other party input
  - Custodians (agents, deliverers & receivers) have additional data and can provide recommendations / options

Current  
status exchanges

Enhanced  
status exchanges

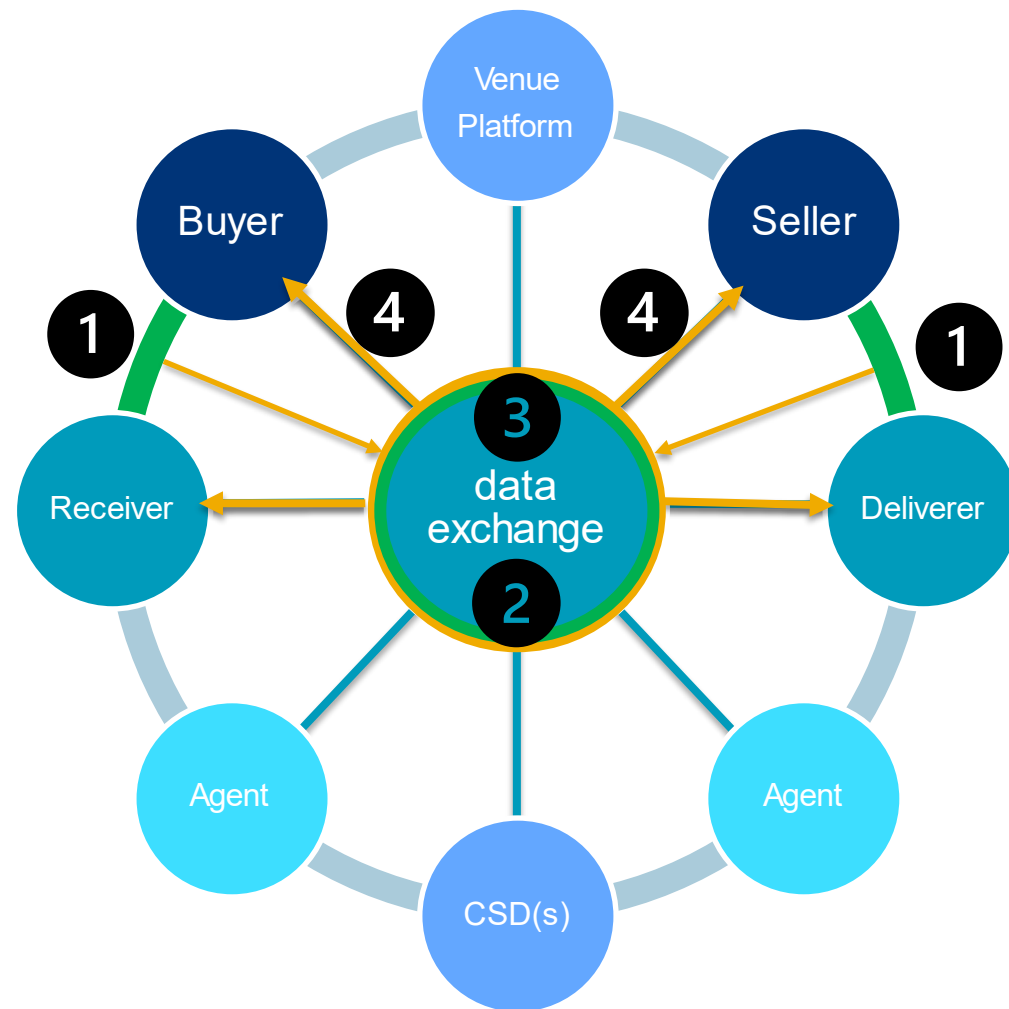


## Operational use cases – settlement issues

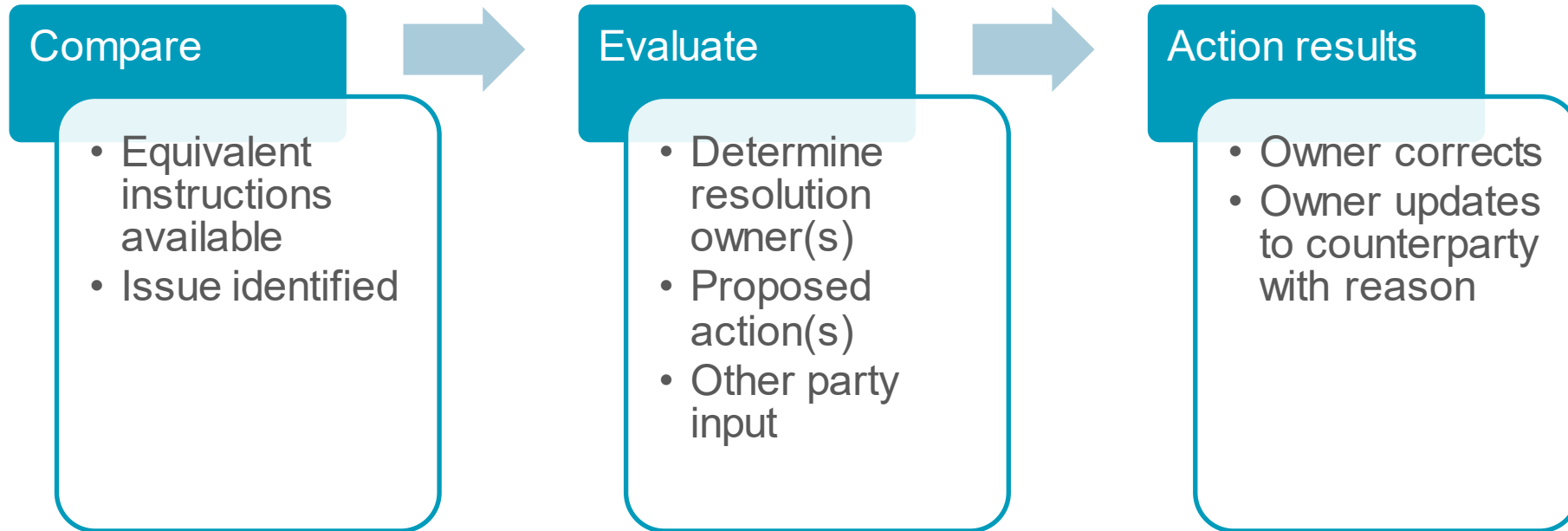
### Use case : settlement matching issues

#### Description:

1. Equivalent instructions are available (both with UTI)
  - From any party from each side
2. Compare common fields for discrepancies
  - Dates, Amounts, Instrument, Accounts, Parties, Places
3. Evaluate a resolution owner(s)
  - Buyer (& receiver) side own action
  - Seller (& deliverer) side own action
  - Both sides own action
  - No owner requiredAnd proposed action(s)
  - Owner to investigate
  - Owner to correct their value
4. Communicate enhanced status data, i.e. field discrepancy values, actions and owners, to all parties



## Enhanced Status workflow



# Operations capabilities



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## Multiple Channels

equivalence where feasible

API : Large & medium organisations, and service providers

GUI: used by smaller clients and in conjunction with API

## Audit Trail

- Audit - Claim management

## Linkage to other transactions

- OrderID, Block, Parent, Child, Prior
- Track corporate actions
- Link to gpi
- Funds

# UTI benefits beyond end-to-end visibility and transparency

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**UTI = Unique + Standard + Trusted + Persistent + Unambiguous**

**Implementation within securities settlement lifecycle helps drive capital markets goals of harmonization and efficiency**

## **Better interoperability between systems and counterparties**

Provides the mechanism to improve linkage between internal applications and workflow processes

Enables connectivity with external parties for machine to machine, user to user, and machine/user exchanges

## **Improves STP and overall settlement efficiency**

Direct and near-term efficiencies for settlement operations, by improving detection of issues, determination, and resolution

Better metrics and root cause analysis internally and across counterparties to support permanent process improvements

## **Consensus between parties**

Enables parties on both sides to know if something is pending or being done on the other side.

Better decision making on whether an action is required and next steps to ensure settlement

Gives a mutual historical view on transactions for all settlement parties

**Allows each individual firm to enhance their own processes directly, and for their customers**



# – Annex



# Smarter Securities initiative

## ➤ Appendix





# Unique Transaction Identifier

# UTI

Unique number/reference of a financial transaction to be allocated as agreed among the parties and/or within the initiative or regulatory system under which it is formed.



**unique**

52 characters, (**first 20 for the LEI** of the generating body (FI/exchange/service provider)..

**standard**

Standardized and structure **ISO-registered** format (ISO 23897:2020)

**trusted**

**Already used today** for reporting of financial transactions to any authority in any jurisdiction.

**persistent**

Can be carried as a reference **across disparate systems** and processes

**unambiguous**

Can be referenced unambiguously by **all parties involved** or interested in that transaction.



# UTI flow through the settlement lifecycle for securities trades: Generation & Communication

The **UTI** identifies a securities transaction obligation between a **buyer and seller** that is allocated to **settlement accounts** with **SSI data**, an **agreed instrument & quantities**

**Generation** of the **UTI** for a **settlement transaction** occurs as part of the **trade allocation / confirmation** process between a buyer and seller via:

- central generation by trade venues / matching platforms / market infrastructures
- instructing party generation who communicates the value to their counterparty

**Communication** of **UTI** values within securities settlement workflows

**'account owners'** sending instructions to their **'account servicers'**

- Populate UTI: from an agreed trade confirmation or allocation process
- Maintain UTI: use the same UTI for version changes and lifecycle updates

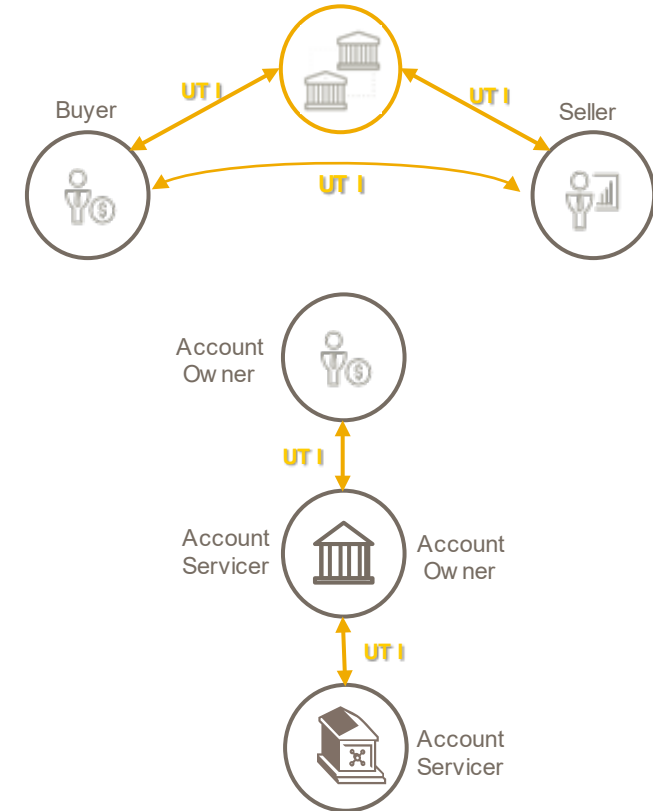
**'account servicers'** receiving instructions from their **'account owners'** and **'account servicers'** sending statuses and confirmations to their **'account owners'**

- Echo UTI: populate same UTI on status and confirmations sent for received instructions
- Persist UTI: populate same UTI when instructing onward delivery or receipt for received instructions

A **UTI** can be applied to all securities post trade settlement workflows including both CCP cleared and non-CCP bilateral settlements.

Industry standards and Market best practice on UTI generation and communication :

- [IOSCO](#)
- [ESMA](#)
- [ISDA](#)
- [GFMA](#)



# UTI behaviours through the securities settlement lifecycle



## Benefits: Settlement exception management

### Enhance exception management, by improving:

- **Detection:**  
Earlier identification of issues and root cause
- **Determination:**  
Additional information supports and clarifies next steps, analysis and the workflow process
- **Communication:**  
Improved access to data reduces need for communication, and improves dialogue when needed reducing the number of exchanges
- **Correction:**  
Service pro-actively suggest corrections and resolution owners
- **Resolution:**  
Monitor own or counterparty's update to confirm resolution and no new issues





[www.swift.com](http://www.swift.com)