

# Global S&R SMPG Meeting

October 5 - 7, 2022

## Meeting Venue:

ABN AMRO  
Circl, Gustav Mahlerplein 1B,  
1082 MS Amsterdam  
The Netherlands

## Sponsored by:



## I. Settlement and Reconciliation – Agenda

### Wednesday 5<sup>th</sup> of October

08:30 – 09:00	Arrival and registration
09:00-10:30	Welcome address, Action list review
10:30-11:00	Coffee break
11:15 – 12:30	Action list review (cont'd)

### Thursday 6<sup>th</sup> of October

08:30 – 09:00	Arrival and registration
09:00 – 10:30	Presentation on Digital Assets: Stephane Duzan (Societe Generale) and Karine Taquet (SWIFT)
10:30 – 10:45	Coffee break
10:45 – 12:30	Market practice review: MT548 Status Codes and Hold & Release
12:30 – 13:30	Lunch break
13:30 – 15:00	Market practice review : CSDR focus
15:00 – 15:15	Coffee break
15:15– 17:00	ISITC Update by Aundrea Jarvis Presentation on Regulatory Changes: Karel Engelen (SWIFT) and Karine Taquet (SWIFT)

# Securities Market Practice Group

## Meeting October 5 – October 7 Invitation, Agenda & Minutes



### Friday 7<sup>th</sup> of October

08:30 – 09:00	Arrival and registration
09:00-10:30	Market Practice Summary and PFOD question
10:30-11:00	Coffee break
11:00 – 12:00	CAMT.053 discussion
12:00-13:00	Lunch break
13:00-??	All other business

## II. Attendance List

### Attendance list

Attendee	Representation	Attendance	Attendee	Representative	Attendance
Alberto Almazan	ES		Marcin Zawistowski (co-chair)	PL	X
Alexandre Hotat (host)	SWIFT	X	Mayte Arraez	ES	
Annamie Loose	Euroclear/ FR	X	Michaela Fallourd	FR	X
Ann-Kristin Gonska	Market Infrastructure-T2S/4CB	X	Olivier Leveque	ECB	
Armin Borries	Clearstream/DE	X	Ryosuke Abiko	JP	
Arnaud Jochems	LU	X	Robin Leary	UK/IE	X
Asa Lewenhagen	SE		Sari Rask	FI	
Aundrea Jarvis (co-chair)	US	X	Silvia Sancin	IT	
Ayaka Shibui	JP		Stephan Schuetter	CH	X
Brett Kotze	ZA		Suzanne Forup	DK	X
Charles-Raymond Boniver	SWIFT	X	Takaya Hamamura	JP	X
Christian Pientz	AT		Ton van Andel	NL	X
Christine Strandberg	SE		Yusuke Kobayashi	JP	
David Wouters	BE	X			
Denis Andrejew	DE	X	Karel Engelen, SWIFT	Guest	X
Hiroyasu Niitsu	JP		Karine Taquet, SWIFT	Guest	X
Hans Martin Aulie	NO	X	Stephane Duzan, Societe Generale	Guest	X
Jason Brasile	US				

### III. Settlement and Reconciliation – Meeting Minutes

#### Wednesday 5<sup>th</sup> of October

##### Welcome address

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Marcin and Aundie opened the session and welcomed the participants joining from all over the world. The agenda was presented for the sessions scheduled between Wednesday and Friday.

The collective group thanked Ton van Andel and ABN Amro for hosting the meeting in Amsterdam, NL.

##### Action List review

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Aundie facilitated the review of each open action item.

Highlights not included in action list updates, include the following:

- The use of UTI in complex workflows still presents a few questions; for example, how to handle partial settlements, assigning unique ID across basket transactions; question on whether UTI requires SMPG guidance – put it at the right place, right qualifier
- PENA code – is available to be used in MT based usage rule – no change request; PENA is in external code list – not official (table listed).
- Is there an opportunity to reduce and/or merge market practice documents for settlements?
- Even if a global market practice is only 'active' in a small subset of markets there is a benefit of reviewing/approving/storing as global market practice. The document would be available for global markets to reference if they are considered adopting the business process and use the global MP as a guideline.
- The focus of the local market practice should be to highlight what is different from the global market practice documents.
- The group is beginning to consider the approach for cash settlements. The US MP may be a good example to consider as a starting point to harmonize.

The group discussed MyStandards. 3,015 clicks on MyStandards for UG. Didier did the migration to SR 2021, which is the current version posted. SWIFT to continue to own the process until the utility button is made available.

Why store market practice documents within two locations - MyStandards is the technical translation in usable UG. And the Website is more about the business processes, where MyStandards is about the messages. SMPG does not require a user log-in, like MyStandards.

Would CSDR being on MyStandards have reduced the adoption issues across the MT 537 message? Armin to raise this item to OMG Operations Manager Group.

The group discussed **Action item 22-08** for sharing internal SnR working group documents. The group agreed to Stephan's recommendation to create landing page on [smg.info](http://smg.info) where documents will be posted and password protected. The password will only be shared with SnR WG members. Password identified.

## Thursday 6<sup>th</sup> of October

Marcin and Aundie welcomed the participants for the day and presented the agenda for Thursday.

### **CSDR Market Practice Discussion**

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CSDR considerations within different market practice documents were discussed over the duration of the conference.

#### **(a) unique reference ID**

Arnaud shared options for single recommendation for Unique Reference ID within the payments statement MT 537.

Option 1: SEME same across pages

Option 2: STAT same across pages, with SEME unique per message

The group identified 2 additional combinations.

The decision by SMPG SnR was the group should give only one recommendation. The group decision was to consider adding this market practice recommendation in to the general market practice document. This concept is still new and not intended to add additional MPs to the list of active documents.

Arnaud mentioned that a lot of countries do not include the STAT, and even less a unique statement number, which may dictate which solution is preferred.

Discussions to continue on **action item 22-13**

#### **(b) Hold & Release Market practice update for PREL**

Arnaud presented the sample messages including new qualifier PREL and order of operation for partial release conditions. The goal of the SR2022 change is to eliminate dependency on narrative text.

Group reviewed some of the aged changes to eliminate text in draft version.

It would change the MT 548 narrative with the qualifier PREL with the quantity released. The solution assumes that custodians/clients are not partially settling a partial release. This can be a continuous process.

The Diagram on page 44 needs to be updated.

Market practices should be neutralized from the names. Agreement to not refer to a single ICSD & T2S in the document.

**Action item 21-11** Arnaud to update drafted document and circulate to the group for review and comments.

#### **(c) clarification between switch and reallocation**

Generally only CSDs can assign a penalty reference identifier. The group agreed clarification was needed in the market practice as noted in **action item 22-11**. The market practice will be updated to define each term and an example of each scenario.

#### **(d) Arnaud add comment on DACO – action item 22-28**

### (e) Buy-in market practice to be updated

**Action item 2022-06-15** Annemie to update the CSDR buy-in market practice document/cover to highlight future implementation date based on regulatory outcomes postponed until 2025.

### (f) removal of cash penalty

The group agreed to the wording on page 11 of current market practice, Arnaud to update to “must not be reported” as noted in **action item 22-09**.

### (g) Update to cash penalty

The group agreed the wording for updated cash penalties as noted in **action item 22-10**. Arnaud to include in next drafted version of market practice.

### (h) linked trades and how to assign a party a fault

The group agreed to close the **action item 22-14**. Following the summary shared by Ton, this is out of scope for SMPG.

### (i) internalized settlement

The group reviewed the conditions. **Action item 22-26** Arnaud to update language in market practice document to highlight that internalized settlement will likely result in no penalties reporting.

### (j) General comments

The buy-in regime generally delayed to 2025. The group discussed general challenges with the lack of buy-in agents.

**Action item 22-27** Alexandre to add Paola to the invites for the ECSDA framework view in our working group

## **Presentation by Stephane Duzane, Societe Generale, and Karine Taquet, SWIFT**

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Stephane presented a view in to Digital Assets and the next frontier of standards. The discussion focused on the need to transform financial services, given availability to leverage existing infrastructure to support transactions.

Holistic but hybrid approach to foster, may consider:

- Extend existing infrastructure to encompass both traditional and digital assets as much as possible
- Common infrastructure / taxonomy / language and market practice to share across financial stakeholders
- Focus on covering the whole value chain and whole life-cycle to fully integrate digital assets
- “one-shot / big-bang” adoption will not be likely – test and learn approach
- Need to adapt legal, operational and technical capabilities.
- Markets need to create a framework in which to transact – example Swiss Digital Exchange
  - Interconnect needs to be generated, then define the protocols for interoperability
  - Regulated entities have more limitations to institute
- What is the source of pricing?

Stephane shared an etherscan example for EIB bond. This example is live, and demonstrates there is a secondary market.

Discussed CR 001783 which allows us of 97D:BCWA to include the digital wallet address within the account in trade instruction message. Example is wallet delivering, wallet sending the digital asset.

Concepts to contemplate:

- Are the market practice documents updated to consider digital assets?
- What is still open to solution within the messaging, future change requests?
- Will ALERT consider solution for SIs specific to digital assets?
- A new working group, and community to discuss standardization?
- Is digital assets contributing to the fragmentation of the securities industry?
- Actors / roles / messaging / standards all needs to be defined

The group then discussed which groups to work with across the eco-system. Question for SMPG to answer is there a community for digital assets SMEs to come together to discuss the standards. The industry is moving toward a hybrid approach, the benefit of keeping digital assets within the SMPG Settlements & Reconciliation working group in order to offer collective view. This framework will need to link up to SMPG CA.

**Action item 22-25** – Assess SME participants and representatives in Settlements & Reconciliation WG necessary to progress digital assets

### **2023 Change Requests Summary Review presentation by Alexandre Hotat, SWIFT**

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Alexandre shared a presentation on the SR 2023 change requests submitted for SnRand Common Cat 5. All change requests discussed were accepted by the maintenance working group, and out for country vote.

Change requests reviewed for SnR:

- Addition of a continuation flag for the penalties sequence. 17B:Flag, added qualifier CNTI for 'continuation flag'. This flag indicates whether a penalty is a continuation of a message. A usage rule was discussed at maintenance to highlight parties should not report when continuation flag = N.
- 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 report
- Add sequence D1a1B1 (penalty sequence) to network validation rule C2
- Add a NVR When the function 23G:PENA is present, then field 22H::STST//PENA must be present

For digital assets, relaxed the usage rules. The format option D may only be used for digital assets. For quantity type code DITU.

No further action items.

### **Question on Status Codes on MT 548 messages, Suzanne Forup**

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Suzanne presented a question to the group on the relationship within the status grid included in the market practice document Status Advice, page 10 of 28. The group reviewed the matrix and the 4 conditions highlighted by Suzanne

After initial discussion, the group identified the market practice should better highlight how to interpret the grid and read the schematic in the market practice. The focus of the grid is likely to demonstrate the sequencing of different status codes.

**Action item 22-24** is Suzanne will coordinate further reviews and share drafted market practice language with the working group, as it relates to the grid on page 10 of Status Advice MP

### Question on sequencing of status messages

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Group identified a condition whereby a service provider delivers more than one trade status advice messages simultaneously. The condition for recipients results in an unclear trade status. For example, if a trade status of matched and unmatched is delivered, which status is most appropriate to the recipient.

Users can refer to the preparation time to assist with determining the sequence of the message, however, may not be preferred approach.

It is not uncommon that a party will assume Matched is appropriate, and a stage that follows unmatched from a business process perspective.

No specific actions identified.

### Presentation by Karel Engelen, SWIFT, on Regulatory Updates

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Karel reviewed his presentation on a number of regulatory initiatives and considerations. The highlights included:

- (1) Regulatory reporting – EMIR refit including the auth.030 development, the timeline delays in the date, will result in other jurisdictions to push back their timelines
- (2) MIFIR – Consolidated tape. The goal of the Commission is to promote one single consolidated take provider (CTP) appointed by ESMA for each asset class
- (3) MIFID II, CSDR & Financial Transaction Tax (FTT) had limited changes highlighted since last review.
- (4) Markets in Crypto-Assets (MICA) – safeguards include capital requirements, custody of assets, and rights of the investor against the issuer & Pilot regime for DLT Market Infrastructures, where ESMA published a report on the pilot, and different firms have responded on this initiative. The overall view is ISO could apply.
- (5) Sustainable Finance – ESG disclosures. As part of its May 2018 Sustainable Finance package, the Commission published a regulation clarifying disclosures related to sustainability investments and risks.

A question was asked around coverage of regulations outside of Europe, and consideration in future regulatory updates.

### Friday 7<sup>th</sup> of October

Marcin and Aundie welcomed the participants for the day and presented the agenda for Friday.

#### **Review SMPG Market Practice translation of cash examples for ISO 20022 payments messaging**

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Aundie provided overview on SMPG Market Practice translation of cash examples for ISO 20022 payments messaging. Dean Chard, SWIFT, has volunteered to assist with the market practice updates.

9 of 37 Market Practices refer to payment processing to be considered for the review. The latest status for the SMPG MPs impacted:

- FX Order Confirmation – updates drafted
- Third party FX – updates drafted
- Bi-lateral collateral
- Cash Securities Split Settlement
- Factored Securities
- Pair-off
- Global Time Deposit – (may not require updates – to discuss)
- Physicals – (may not require updates – page 4 to be discussed)
- Bi-lateral Repos (may not require updates – to discuss)

Dean invited to November's monthly virtual meeting to review the updated documents

**Action item 22-23** Aundie partnered with Dean Chard to review SMPG market practice documents to include translation of cash examples for ISO 20022 payments messaging.

#### **Review monthly calls**

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Group agrees to retain the monthly 2 hour meeting on the first Thursday of every month. Individuals should share documents and agenda items 2 weeks in advance.

Market practice documents resulting in significant edits or content changes should be reviewed during in person meetings.

#### **PFOD question presented by Suzanne Forup**

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Suzanne presented a question regarding PFODs in reporting. The group decision was PFODs should be included in the reports. No action.

#### **SMPG Market Practice review**

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The group reviewed ownership of SMPG SnR market practice documents. All outstanding market practice documents have volunteers. Group agreed assigned owners are able to adjust the structure of the document.

Alexandre created a secondary link to the Settlement MP Summary Sheet within the Global Market Practice page. This document will also continue to be available within the Local Market Practice page. To close action item 21-07 as ownership and responsibilities are clear.



## Meeting October 5 – October 7 Invitation, Agenda & Minutes

Open question on holistic approach for including Digital Assets within market practice documents. This may include additive comments to the existing market practice documents or creating new market practices specific to the investments.

**Action item 22-05** Alexandre to determine volume of reviews/clicks on the website (carry over), specific question on Listed Derivatives in order to assign the MP

**Action item 22-22** Aundie to create a summary document / table of contents for the settlements MP documents

**Action item 22-21** Alexandre to review with SWIFT why the modification date is not reported on the SMPG.info landing page of the market practice document links.

### **Reviewed CAMT.053**

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The group reviewed the settlement related fields for the CAMT.053 compared to Cross Border Payments and Reporting Plus (CBPR+). Ton shared an example from T2S.

The discussion is focused on determining a recommendation for minimum fields to include in the payment message. The priority is fields that are necessary for researching securities transactions.

The group discussed the following data qualifiers:

- Account Service Reference
- Account Owner Ref
- MITI
- Financial Instrument ID
- Amount – likely settlement date -
- Currency
- Quantity
- Trade Date
- Interbank settlement date would be the settlement date of the security settlement. The group discussed it is not necessary to include the intended Contractual Settlement Date if different.
- Deal Price

**Action item 22-20** Denis to summarize the recommended data elements to include in CAMT.053, SnR working group to review, including Charles Boniver.

### **Question on Rehypothecation designation within the MT535, presented by David Wouters**

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The US FED ACAP has a rehypothecation service associated with the position. David presented the issue noting there is no unique code to designate position available due to a rehypothecation agreement.

The group reviewed the balances within the MT535. There is no sub balance available to reflect rehypothecation. This designation could be included as a sub balance within the aggregate available.

**Action item 22-19** David to document the full business case to review the condition and make a decision on best practice and whether to include for an SR2024 change request.

### All other business

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

#### (a) Payments Task Force.

Charles provided an update on the Payments Task Force. Last round of meetings were focused on the MT950/MT940 to camt.053 for migration to ISO20022. Working with external code list, allows more flexibility and update on a quarterly basis rather than an annual SWIFT release. The missing code words have been identified. The code words need to be sent to ISO and approved, which is targeted next two weeks.

The next step is to look into the purpose code on the payment instructions (i.e. 'reason of the payments') to align the reporting/reconciliation with the instruction. These meetings are to be scheduled in upcoming months.

(b) Portfolio Transfer question by Stephan around possibility to 'push' vs. 'pull' the portfolio. The question to SWIFT was is there ability to 'pull' portfolio. A similarity to the pain message (also known as direct debit) was identified. Armin shared account switching maintenance - request balance transfer 10 messages and whole message definition for acmt. No action items.

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

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Marcin Zawistowski and Aundie Jarvis concluded the meeting.

Fall Forum week concluded.